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# KATALYSIS

*North/South Development Partnership*

**Matching Grant II**

## FINAL EVALUATION

April 27, 1998

**Project No. 938-0155**

**Cooperative Agreement  
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**Mid-Term Evaluation Team:**  
**Carolyn S. McCommon, PhD.**  
**Loren Parks, PhD.**

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## LIST OF ACRONYMS

AGTE	Agricultural Training and Extension Program
BEST	Belize Enterprise for Sustainable Technology
BID	<i>Banco Interamericano de Desarrollo</i> (also known as IDB)
CDRO	<i>Cooperación para el Desarrollo Rural de Occidente</i>
CGAP	Consultative Group to Assist the Poorest (sponsored by the World Bank)
CRS	Catholic Relief Services
DIP	Detailed Implementation Plan
FAFIDESS	<i>Fundación de Asesoría Financiera a Instituciones de Desarrollo y Servicio Social</i>
FAMA	<i>Familia y Medio Ambiente</i>
FOPRIDEH	<i>Federación de Organizaciones Privadas de Desarrollo de Honduras</i>
HVC	Herencia Verde Center
IDB	Inter-American Development Bank (also known as BID)
MCS	Microcredit Specialist
MG1	Matching Grant 1 (USAID Cooperative Agreement OTR-0158-A-99-0108-00)
MG2	Matching Grant 2 (USAID Cooperative Agreement FAO-0158-A-00-3043-00)
MIF	Multilateral Investment Fund of IDB
MIP	Microenterprise Innovation Project sponsored by AID
MUDE	<i>Asociación de Mujeres en Desarrollo</i>
NGO	Non-governmental Organization
NRM	Natural Resource Program Manager
ODEF	<i>Organización de Desarrollo Empresarial Femenino</i>
PDAS	Program Development and Support
PEBD	Business Development and Promotion Program
PROCOMES	<i>Corporación de Proyectos Comunes de El Salvador</i>
RDD	Resource Development Director
RFD	Regional Field Director
RFO	Regional Field Office
SEEP	Small Enterprise Education and Promotion Network
TA	Technical Assistance
USAID	United States Agency for International Development
VIDA	<i>Fundación Hondureña de Ambiente y Desarrollo</i>

## EXECUTIVE SUMMARY

This final evaluation looks at the Katalysis North/South Development Partnership in relation to a five-year project supported by USAID's Office of Private and Voluntary Cooperation (PVC) under a matching grant cooperative agreement (FAO-0158-A-00-3043-00). The current matching grant (MG2) is the second provided by USAID and follows on an earlier three-year Matching Grant (MG1) funded in 1990. Funded in 1993, MG2 provided \$1,749,792 for institutional strengthening plus direct field services in natural resource management, sustainable agriculture, microenterprise development and women's community banking.

The purpose of MG2 was to strengthen the institutional capabilities and field impact of Katalysis and its indigenous Partner organizations in Central America. With the inception of MG2, four organizations were Partners -- one in Honduras, ODEF (*Organización de Desarrollo Empresarial Femenino*); one in Belize, BEST (Belize Enterprise for Sustainable Development); and two in Guatemala, CDRO (*Cooperación para el Desarrollo Rural Occidental*) and MUDE (*Asociación de Mujeres en Desarrollo*). In the context of this final evaluation, only three Partners are discussed in depth: CDRO, MUDE, and ODEF. These three NGOs have been involved since the beginning of and throughout the second matching grant. The fourth NGO, BEST, was terminated from the Partnership in 1996 and, per approval of USAID, the remaining MG2 funds were reallocated to sustainability issues.

The project included three program components:

- **Program Development and Support (PDAS):** to provide services to strengthen Katalysis and its Partners including institutional strengthening of Katalysis, its Partners, and the Katalysis Partnership.
- **Agricultural Training and Extension (AGTE):** to provide training and technical assistance in conservation agriculture and environmentally sustainable practices and appropriate technologies.
- **Business Development and Promotion (PEBD):** to assist Partners to develop community banking programs through microenterprise credit and training.

Over the course of implementation, the focus of project activities has shifted. Initially, equal emphasis was given to developing field services in both AGTE and PEBD. However, as a consequence of internal Katalysis reviews and the midterm evaluation, mutually agreed upon revisions between Katalysis and USAID were made to the MG2 logframe and Detailed Implementation Plan (DIP) regarding program consolidation and the Partnership network

## MAJOR ACHIEVEMENTS INCLUDE:

- **Institutional Strengthening (PDAS).** Over the course of MG2 and, since the Mid-term evaluation in particular, Katalysis has undergone a significant transformation in its programming focus and structure that has enhanced its capacity and capability to support Partner NGOs in poverty reduction. The fundamental change that has driven all aspects of institutional development has been a program reorientation from a multi- to a single-program focus on which to base Katalysis technical assistance to the Partners and the programmatic content of the Partnership network. Katalysis has strengthened its program in terms of personnel, system development, program planning, and Partner technical assistance. Decision-making has been broadened with decentralization of implementation to a newly established Regional Field Office, the creation of a Headquarters management team, and a broadened Board of Directors.

Regarding Partner strengthening, each Partner has received Katalysis training and support strengthening their financial management and accounting systems, strategic planning capacity, and capacity for fund-raising. A strong area of support and one that has been well-received has been the organization of Partnership Exchanges and cross-training of Partners in microcredit methodologies. One of the weakest areas, also noted in the Mid-term evaluation, has been the development of monitoring and reporting systems.

- **Agriculture training and extension (AGTE).** Substantive assistance was provided by Katalysis in developing the AGTE aspects of Partner programs, particularly following the arrival of a Natural Resource Program Manager in late 1994. One of the major achievements under this component was the co-establishment with ODEF of the Herencia Verde agricultural training center. The project was the first co-executed with a Partner and involved substantial support from Katalysis in fund-raising. However midway through MG2, due to an internal shift to consolidate programming in a more coherent focus, Katalysis modified its technical focus such that agriculture and appropriate technology (AGTE) support were excluded from Katalysis' future programming. Following Katalysis' decision, two Partners, ODEF and CDRO, elected to continue agricultural programming on their own while MUDE decided to eliminate the program altogether.
- **Microenterprise development (PEBD).** With the completion of the microcredit team in late 1997, Katalysis has adopted a more aggressive stance in the application of microlending methodologies by its Partners. This enhanced and more rigorous approach has been an important catalyst for Partners in refining and consolidating their community banking efforts. Notwithstanding the delays that were encountered, Katalysis has been successful in creating a context for community banking and has met the aggregated measures specified in the DIP. ODEF met its revised DIP goals for establishing community banks within the first three years of the grant while MUDE completed these goals by FY97. CDRO has lagged behind the other Partners, completing less than 2/3 of its DIP targets

The amount of credit disbursed -- \$1,212,105 -- far exceeded the grant goal of \$364,154. This output can be seen in tandem with the number of community banks established with over twice as many new community banks as had been specified in the DIP. The strong achievement in these two goals is a good indicator of success for Katalysis and its two Partners, ODEF and MUDE. While CDRO's outputs were disappointing, the commitment made by CDRO to community banking is nonetheless encouraging and points to the possibility of new and innovative approaches to a poverty alleviation community banking model.

- **Client impact.** Discussions with bank members and observations of a few bank meetings attest to the transformative power of community banking that has been cited by Katalysis and in a SEEP impact study. In all three Partner programs, bank members report higher standards of living for themselves and their families, one of the overall goals of MG2. In rural areas, community banks have been active in sponsoring community wide activities such as local clean-up campaigns, school repair and community center construction. It appears that many community banks, especially those associated with ODEF, are becoming local "engines of development" through loans provided to non-members from the internal accounts.

## GENERAL OBSERVATIONS

- **Implementation delays.** Consolidation of a single program focus in microcredit has been protracted, taking longer than initially envisioned. As a consequence, it is only in the last year that Partners have begun to realize specialized technical assistance resulting from this programmatic reorientation. The fact that it has taken so long for this planning to coalesce appears to be due more to the magnitude of the exercise than to any institutional misstep.
- **Difficulties in transition.** The transition in functional relationships, both for Katalysis and for its Partners, has been awkward and, at times, difficult. Everyone, at all levels, is struggling to accommodate this change in organizational structure where the Regional Field Director -- not the President -- is now the "point" person for Partner relations. Both Partners and Katalysis staff have had to develop new attitudes and learn new habits to ensure that the essence of partnership is not overshadowed in the evolution of structures and roles.
- **Introduction of new standards.** In moving forward to strengthen its and its Partners capacity in microcredit, Katalysis has begun to implement long-overdue standards and systems that will enable Partners to strengthen their programs and ensure client performance. The difficulty in so doing has been striking the right balance that both accommodates flexibility appropriate to distinct Partner programs while ensuring a quality of service. The issue has been as much "how" these new strategies are implemented as "why."



- **Constraints in AGTE implementation.** Implementation of some pilot project activities in the transfer of appropriate technologies (solar cookers) and assistance in farming methods failed for a variety of factors: lack of Partner financial resources, lack of support from a co-executing agency, client disinterest, and limited feasibility analysis.

## **CONCLUSIONS AND KEY RECOMMENDATIONS**

With regard to the original goals of the grant, the benefits are clear; through the realignment Katalysis has clarified its mission and, with this new vision, also clarified the nature and extent of its support to its NGO Partners. Now, with a clearer focus in program strategy, Katalysis has been able to make better use of its resources and to upgrade staff expertise in one speciality, microcredit. Partners benefit as they receive more precise technical assistance and, with the introduction of industry best practices, state-of-the-art techniques that might not otherwise be readily available or affordable. Furthermore, with the clarity of its own vision, Katalysis is in a better position to provide leadership and strategic guidance of the Partnership. This significant move has unquestionably strengthened Katalysis and the Partners institutionally.

Inevitably, there are challenges in a realignment as far-reaching as Katalysis shift to a single program focus and, in particular, the realignment of not only an institution but also a Partnership network. One of the most critical challenges is the need to strike a balance between consultation and direction in assisting the Partners to implement best practices. The second challenge is to ensure an appropriate balance in the partnership core and microcredit focus that plays to Katalysis' strength and strategic competence. The third challenge is to maintain a doable balance of breadth and depth in its programming of a "network vision."

Key recommendations include:

- Incorporate more systematic review by the CEO in the monitoring and reporting of the microcredit program.
- Provide appropriate orientation for staff in community banking or partnership/NGO issues.
- Review the selection criteria for new board members to strengthen expertise in southern NGO development and partnership.
- Provide continued technical assistance in financial management and accounting, specifically in helping the Partners (a) provide timely and reliable information, and (b) refine their credit policies.
- Develop monitoring and reporting systems that facilitate strategic planning.
- Develop a strategy for fee-for-service Partnership exchanges.
- (For CDRO and ODEF) develop agriculture credit delivery methodologies appropriate for solidarity groups and community-banking type lending programs.
- Define the core elements of the Katalysis community banking methodology.
- Clarify the concept of "credit plus" in the Katalysis model.

**FINAL EVALUATION  
OF THE  
KATALYSIS NORTH/SOUTH DEVELOPMENT PARTNERSHIP**

**1.0 INTRODUCTION AND BACKGROUND**

**1.1 Program overview**

The Katalysis North/South Development Partnership has been supported by USAID's Office of Private and Voluntary Cooperation (PVC) under a matching grant cooperative agreement (FAO-0158-A-00-3043-00). The current matching grant (MG2) is the second provided by USAID and follows on an earlier three-year Matching Grant (MG1) funded in 1990. The purpose of MG2 was to strengthen the institutional capabilities and field impact of Katalysis and its indigenous Partner organizations in Central America. With the inception of MG2, four organizations were Partners – one in Honduras, ODEF (*Organización de Desarrollo Empresarial Femenino*); one in Belize, BEST (Belize Enterprise for Sustainable Development); and two in Guatemala, CDRO (*Cooperación para el Desarrollo Rural Occidental*) and MUDE (*Asociación de Mujeres en Desarrollo*). Funded in 1993, the five-year matching grant provided \$1,749,792 for institutional strengthening plus direct field services in natural resource management, sustainable agriculture, microenterprise development and women's community banking. The three program components include:

- **Program Development and Support (PDAS).** The purpose of this component is to provide services to strengthen Katalysis and its Partners with activities in three areas: training and technical assistance to meet Partner institutional needs; activities to build and strengthen the partnership; and documentation of specific aspects such as outcomes, tools, evaluation, and the partnership process.
- **Agricultural Training and Extension (AGTE).** Activities include training and technical assistance in conservation agriculture and environmentally sustainable practices; appropriate technologies; the Eco-Nomics Bridging Fund; and a category of activities named "Partner Initiatives."
- **Business Development and Promotion (PEBD).** PEBD focuses on community banking, microenterprise credit for individuals, and training programs, all of which aim to extend credit to the poor.

Over the course of implementation, the focus of project activities has shifted as Katalysis and its Partners have refined their strategies in helping low-income people in Central America develop the means to attain financial self-sufficiency and improve family well-being. Initially, equal emphasis was given to developing field services in both AGTE and PEBD. However, as a consequence of internal Katalysis reviews and the midterm evaluation, mutually agreed upon revisions between Katalysis and USAID were made to the MG2 logframe and Detailed Implementation Plan (DIP)

regarding program consolidation and the Partnership network.<sup>1</sup> Among the key revisions are the following:

- Programming was consolidated under microcredit lending and management in keeping with the Katalysis business plan;
- Per approval of USAID, when the Belizean Partner BEST was terminated from the partnership in 1996, the remaining funds were reallocated to sustainability issues;
- A Regional Field Office (RFO) was established in Honduras as a means to provide more efficient and thorough support to Partners.

Under the revised logframe, Partner program strengthening has been directed primarily through PEBD, the program that provides technical assistance and training in microenterprise and community banking development. Emphasis in AGTE, as included under the original DIP, has remained only insofar as it is a complement to the work provided by Herencia Verde, the agricultural training and learning center jointly operated by ODEF and Katalysis. Support for other Partner programs in natural resource management has been continued with other donor funding.

## **1.2 Purpose of the evaluation**

The purposes of the final evaluation are to:

- a) Assess the extent of the overall success of this matching grant in the achievement of the objectives spelled out in the logframe, especially with regard to its purposes, objectives and effects on the beneficiaries.
- b) Verify completion of core outputs.
- c) Make organizational recommendations to Katalysis based on the assessment of impacts for Partners and beneficiaries.
- d) Plan for the future.

In the context of this final evaluation, only three Partners are discussed in depth: CDRO, MUDE, and ODEF. These three NGOs have been involved since the beginning of and throughout the second matching grant. Participation of three other Partners incorporated under MG2 – FAMA, PROCOMES, and FAFIDESS – and the departure of BEST as a Partner at the close of Year 3 are discussed briefly in reference to other program and partnership developments.

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<sup>1</sup> The mid-term evaluation was completed in July 1996 by Loren Parks, also a member of the final evaluation team.

### 1.3 Methodology

The evaluation has been conducted through assessments at Katalysis headquarters in Stockton California, the Katalysis RFO in Tegucigalpa, Honduras, and field programs of CDRO (Totonicapan, Guatemala), MUDE (Villa Nueva, Guatemala), and ODEF (San Pedro Sula, Honduras.) The two-person evaluation team included Carolyn McCominon and Loren Parks. The evaluation was implemented over a four-week period, 1 June to 3 July, with assistance from two RFO staff in the implementation of Partner assessments -- Marta Maria Salgado, RFO Community Banking Coordinator, and Leo Alvarez, RFO Natural Resource Program Manager.<sup>2</sup>

Methodological caveats include four issues: (1) Few field studies are not pressured by time and this evaluation was certainly no exception. Time available for in-country assessments was extremely brief with only two days for each Partner visit and four days at the Katalysis Regional Field Office. (2) The sample of project beneficiaries was extremely small. Views might not have been representative or could have been influenced by the presence of Partner and Katalysis staff. (3) The sample of Board members was small; their views may not be representative of all Board members.<sup>3</sup> (4) Given the brevity of time, it was neither possible nor feasible to attempt an in-depth technical review of the community banking methodology or to verify the number of participants and credit funds disbursed or repaid. Because of these methodological issues, every effort was made to triangulate or cross-check information by gathering information from a variety of different sources, using an assortment of data-gathering methods.

### 2.0 INSTITUTIONAL STRENGTHENING (PDAS)

The PDAS portion of funding has supported Katalysis to strengthen the institutions of the Partners and the Partnership network. While some activities necessarily overlap with the more directed strengthening of Partner field programs in AGTE and PEBD, PDAS activities have focused more on overall institutional development and governance. In the following two subsections, Katalysis inputs and achievements regarding PDAS are discussed in relation to Katalysis capabilities in management and governance and in relation to MG2 Partners (ODEF, MUDE, CDRO) in their systems development and program growth. Because of the institutional reorientation that has taken place within Katalysis, most of the discussion in this section concerns capacity relevant to PEBD.

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<sup>2</sup> It should be noted that the RFO Natural Resource Program Manager did not feel that he was effectively involved in the evaluation.

<sup>3</sup> Katalysis made the selection of northern Board members who were interviewed; these northern members included two new members and one longstanding member. In addition to direct discussion, minutes from Board of Directors meetings were also reviewed.

## **2.1. Katalysis institutional capability**

### **2.1.1 Program planning and development**

Over the course of MG2 and, since the Mid-term evaluation in particular, Katalysis has undergone a significant transformation in its programming focus and structure that has enhanced its capacity and capability to support Partner NGOs in poverty reduction. The process has not been easy. The transition has been beset by complications as Katalysis has struggled with consolidating its technical programming while at the same time responding to Partner needs and priorities in refining their institutional directions.

The fundamental change that has driven all aspects of institutional development has been a program reorientation from a multi- to a single-program focus on which to base Katalysis technical assistance to the Partners and the programmatic content of the Partnership network. The basis for this shift has been a series of planning processes that can be seen as both “input” and “output” in the clarification of Katalysis’ vision and a reorientation of programming focus to microcredit lending, particularly community banking. The new focus was first proposed in the “Focus Quest,” one of the documents produced under the DIP, and further refined and developed in a series of business plans and strategic reviews commissioned by Katalysis over the past year.

However, the process has been protracted, taking longer than initially envisioned. As a consequence, it is only in the last year that Partners have begun to realize specialized technical assistance resulting from this programmatic reorientation. The fact that it has taken so long for this planning to coalesce appears to be due more to the magnitude of the exercise than to any institutional misstep. A further complicating factor in the planning process has been the nature of the Partnership network itself. While Katalysis leads the Partnership, Katalysis does not make decisions such as those regarding program development, even staff recruitment, without Partner consultation. It is clear that this additional level of program deliberation involving Katalysis and its Partners further prolonged internal deliberations over the program shift to a single-focus, slowing implementation.

The importance of this planning process in the institutional evolution cannot be understated. It has enabled Katalysis to identify areas of strategic competence and to clarify its vision. This sense of direction has been important in guiding decisions and meeting DIP obligations such as hiring of appropriate personnel, refinement of job descriptions, diversification of the funding base, and expansion of the partnership. Katalysis is clearly a much stronger organization now than it was at the beginning of MG2.

### **2.1.2 Staffing and systems development**

The effectiveness of these inputs has been generally excellent, with the caveat that the timing of input provision was not as initially envisioned. Great difficulties were encountered in hiring and retaining key personnel which delayed implementation of some programs. For example, the RFO is currently staffed by the third regional Director and there was a period of time when the position

was temporarily filled by the Katalysis Director of Finance (Stockton). The Microcredit Program Manager was not hired until the first quarter of 1997.<sup>4</sup> These difficulties stemmed partly from the complexities entailed in shifting the program department from a headquarters-based to a field-based staff and, with this, the staffing of an RFO. Katalysis was not initially prepared -- either financially or administratively -- for the practicalities entailed in staffing and supporting such an office. Confounding the situation was the mid-project shift in focus to microlending and these implications for staff recruitment and systems development. The disadvantages were delayed assistance to the Partners and increased pressure on existing headquarters staff to accomplish the work they could. The advantages were increased and improved South-South interaction, a highly visible Katalysis commitment to the region and the Partners, and increased funding opportunities

Katalysis not only met these obligations under the DIP but also exceeded them by the extent to which the organization has expanded and bolstered its capacity in microenterprise credit programs. Through MG2-funded strategic planning processes, Katalysis has committed itself to sustaining the microcredit focus, a commitment that is reflected in three areas: (1) recruitment of a headquarters-based "Microcredit Specialist" with other Katalysis unrestricted funding; (2) creation of a second RFO-based microcredit specialist (Community Banking Coordinator) with funding secured from the IDB; and (3) recruitment of Board members with microcredit expertise (see below, section 2.1.4). Moreover, in terms of personnel, the overall management structure has coalesced with core staff in place for nearly four years. The staff have professional qualifications and expertise, further strengthening Katalysis as an institution, moving it beyond its initial "Mom and Pop" operation that had existed prior to MG2.

With the completion of this expanded microcredit team in late 1997, Katalysis has made significant progress in developing systems to support Partners in microcredit lending and community banking. Appropriate workloads have been defined for the microcredit team with each individual working under a clearly defined job description. Internal coordination between headquarters and the RFO appears effective as does local RFO coordination within the microcredit team and with the Natural Resource Manager. In supporting Partners, institutional diagnostics have been designed and implemented with each Partner and the findings used to organize Partner-specific technical support. New reporting systems based on industry best practices have been introduced (see Section 2.2.4) and applied in two quarterly reports. This new reporting format provides a more rigorous basis for measuring performance and informing management decisions. The new management information system for reporting of microcredit goes far beyond that required by USAID for PEBD activities.

With regard to Katalysis' own financial management systems, significant improvements have been made in the last two years that permit better financial control and expense tracking. Procedures for projecting revenue were introduced along with a system for monitoring expenses on a monthly basis, not quarterly as had been the case before. Katalysis appears to have weathered the financial crisis that had threatened the organization and has begun to rebuild the endowment fund, turning around a three-year history of deficits into a surplus position.

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<sup>4</sup> In initial Katalysis reports and the DIP, this position is referred to as the "Microenterprise Program Manager."

## ***Documentation***

In developing systems, Katalysis has produced a variety of materials documenting this experience. All of those specified in the DIP have been completed and disseminated as appropriate. The strategic documents (such as the Focus Quest and the Mid-term evaluation) have had the most profound impact in shaping direction within Katalysis and the Partnership network while the community banking study provides a good (though now dated) assessment of the Katalysis community banking program.<sup>5</sup> Equally important in terms of implementing the new program directions have been the number of additional documents that Katalysis has prepared beyond those required under the DIP. These include materials provided to Partners, Board members, and the RFO that have informed each on their respective roles and responsibilities. The substance in each case appears appropriate, targeted, and relevant. The one striking omission -- of which Katalysis is aware -- is a practitioner's manual fully describing the strategy and process that document the Partnership model. Various materials have been produced describing concepts of partnership but not fully capturing the essence of the process that is Katalysis' strength. A list of the different materials produced under MG2, both those stipulated in the DIP and those produced separately by Katalysis, is found in Table 1 (on the following page).

### **2.1.3 Organizational structure**

One of the issues raised in the midterm evaluation was the administrative demands being placed on a staff "stretched thin" and, in particular, the pressure placed on the President. At that time, the RFO structure had not yet coalesced and staffing was still incomplete. While the then Regional Field Director had assumed responsibility vis-a-vis daily field operations, a significant amount of authority was still being retained at the Stockton level, especially in areas regarding Partner relations and liaison. The lack of clarity meant that Partners looked directly to Stockton for more assistance than they should. As a result, decisions were often made on a personal basis rather than on line decisions, compromising organizational effectiveness.

Since that point, Katalysis has met its MG2 obligations regarding "broadening decision-making mechanisms." The responsibility for program implementation has been decentralized and authority devolved to the RFO. With the full staffing of the RFO, the respective roles of the RFO and Headquarters office are being defined and clarified with a written MOU to be concluded this coming August. Most importantly, Katalysis senior management has been freed from unnecessary or inappropriate field responsibilities. Leadership has been "depersonalized" as standardized administrative and technical support structures have been set in place at the RFO. A management team has been set in place to review issues and to make decisions, thus replacing the ad-hoc process that used to exist.

The transition in functional relationships, both for Katalysis and for its Partners, has been awkward and at times difficult. Everyone, at all levels, is struggling to accommodate this change in

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<sup>5</sup> "Community Banking - A Case Study," SEEP/Katalysis, August 1994.

**TABLE 1**  
**KATALYSIS DOCUMENTATION**

**DOCUMENTS IN DIP**

- Beyond the Annual Campaign
- Perfecting the Alliance: Viable Fundraising
- Video: The Katalysis Partnership
- SEEP Community Banking Study
- Katalysis Focus Quest
- Katalysis Partnership Grants Management Manual
- Financial Management Training Manual
- Mid-term Evaluation

**ADDITIONAL RELEVANT DOCUMENTS**

- Partners
  - Partner Policies and Standards
  - Microcredit Program Criteria and Standards
  - Community Banking Reporting Format
- Board
  - Board Member Resource Manual
  - Board Model and Recruitment
- Strategic Planning
  - Business Plan for Katalysis/USA
  - Business Plan for Katalysis/Honduras
  - RFO Annual Programming Format
- Training Materials
  - Partner Fundraising
  - RFO Reporting and Organizational Learning
- Donor Education
  - Partnership Journey Trip Book
  - Partnership Journey Trip Report



organizational structure where the Regional Field Director -- not the President -- is now the "point" person for Partner relations. Both Partners and Katalysis staff have had to develop new attitudes and learn new habits to ensure that the essence of partnership is not overshadowed in the evolution of structures and roles. Based on both staff and Partner comments, new relationships between the RFO and the Partners have significantly improved after an initially strained period. However, Partners remain concerned that the relationship has become too directive and less consultative. This is a sensitive area that will continue to require attention to ensure that the organizational structure (and partnership) is not undermined.<sup>6</sup>

#### **2.1.4 Governance**

During the grant period, Katalysis successfully strengthened its governance through a restructuring of the Katalysis Board of Directors that has enhanced oversight and provided strategic direction. Among the key changes, board membership was broadened beyond California to include not only business contacts but also financial, microcredit, and development expertise as well as government and funding connections. A total of six new members, three more than were called for in the DIP, were added bringing the total number of Board members to 16 (including the directors of the six Partner organizations.) The committee structure was broadened to five committees -- the Executive Committee, Board Development Committee, Finance Committee, Marketing/Fundraising Committee, Program Committee, and the Partner Directors' Board.

The reorganized Board has been in existence for only a short time. Nonetheless, the import of the new model can be seen in the pro-active role being taken by Board members through their participation in the working committees. Input regarding the development of the capital loan fund, the legal status of the RFO, design of performance indicators, and criteria for Partner selection are a few of the areas mentioned by staff and board members where the Board has been active. Member expertise in microcredit and microfinance has been a particular asset in supporting the new realignment and helping Katalysis to refine its community banking model. Through the support of the Fundraising committee, Katalysis has launched an aggressive fundraising campaign that has been successful in attracting new and different private sector donors. With additional members, the Executive Committee has assumed a different level of oversight that has strengthened support provided to the President. Not only has the Executive committee been expanded from three to nine members but four of those members are also women, achieving gender balance.

Reformulation of the Board is a significant achievement that has had and will have a strong and positive impact on Katalysis and its future directions. Orientation of new members, through the development of a resource manual for board members, meetings with staff, and organization of Partnership journeys, has been well thought out and has contributed to the capacity of Board members to assume their new responsibilities. However, the focus on expertise in microcredit, banking, business, and finance as the primary criteria for selection has left the Board weak in

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<sup>6</sup> It is important to note that a conclusion of the MG1 evaluation was that Katalysis was too consultative. It appears the balance has now gone the other way. The issue concerns "how" standards are implemented as much as "why."

southern NGO-related expertise, specifically in hands-on-implementation or field experience with NGO partnerships. Four of the new members are considered by Katalysis to have NGO experience. However, their southern NGO experience is limited with two more familiar with Northern NGOs while another has worked with southern NGOs from the vantage point of a donor. While their development experience is extremely valuable -- especially in balancing the business expertise of other Board members -- Katalysis nonetheless remains weak in partnership and Southern NGO experience.<sup>7</sup>

Discussions with Board members and staff suggest that not all of the new members fully understand the nature of Katalysis' partnerships with southern NGOs. Given that partnership is the core of Katalysis and is its strongest area of strategic competence, a limited appreciation on the part of the Board could undermine the development of a "unique" Katalysis microcredit model. The delicate situation is made even more sensitive by communication problems since few of the northern Board members speak Spanish and few of the Southern Partners speak English.

### ***Partner Directors' Board***

The Partner Directors' Board is one of the new activities added to the revised logframe. The establishment of this board further broadened decision-making within the Katalysis partnership and overall enhanced governance. The Partner Directors sit on the Board with full representation equal to the northern representatives. As part of the Board restructuring, the Partner Directors' Board was formalized as a full committee that meets regularly. This status as a full committee has provided the mechanism for Partners to provide input on issues and proposed policies that directly impact Partner organizations and program planning. This has included the recruitment of the RFD, selection of new Partners, approval of service fees for Katalysis technical assistance, and relocation of the RFO to Tegucigalpa.

In the view of Partner Directors, the Partner Directors' Board has served a useful venue for their own information interchange as well as review of partnership-related issues raised by Katalysis staff or other working committees. Perhaps as important, issues raised by the Partners have heightened institutional awareness of partnership issues from the Partners' viewpoint. Staff believe that such Partner participation has been a strength in ensuring good governance.

### **2.1.5 Summary of recommendations**

The following recommendations pertain to institutional strengthening of Katalysis:

- **Review the selection criteria for new board members.** At least one replacement member with expertise in southern NGO development and partnership issues should be recruited to

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<sup>7</sup> Katalysis protested this observation in an evaluation debriefing.

ensure the essence of partnership is not overlooked in the "move to vision."<sup>8</sup> It is unrealistic and imprudent to rely on two Board members (one the CEO) as the primary source of expertise in this area.

- **Document the Partnership model.** Katalysis is encouraged to move forward in the already existing plans to document a Partnership model for practitioner's use. At a minimum, Katalysis should develop additional briefing and/or strategic reviews on the essence of partnership and the implications in positioning Katalysis as a microcredit regional network. Without fuller understanding of partnership (and NGOs) on the part of the Board and all staff, Katalysis runs a real risk of losing the essence of the partnership perspective.
- **Update the community banking case study.** The SEEP/Katalysis 1994 case study provides a good overview of the Katalysis community banking model that would be well worthwhile to update. Such a revision need not entail much effort and would require only the updating of information. The case study could be published in-house. If sections were added on the partnership dimension, the report could be disseminated as a "state-of-the-art" findings report.
- **Incorporate more systematic review by the CEO in the monitoring and reporting of the microcredit program.** Katalysis has only very recently introduced a systematic monitoring and review system that will facilitate strategic planning. This is an important and significant step. However, the system presently calls for reports to be made available to the CEO as requested with significant changes brought to his attention as necessary. Given the new directions of this program, it is important that the CEO maintain more consistent review of this program, at least for the near future.
- **Provide appropriate orientation for staff in community banking or partnership/NGO issues.** Not all staff are fully conversant (or comfortable) in both community banking and partnership/NGO issues. For some Stockton staff, the rigor being introduced to the community banking model is new; for the RFO, the opposite is the case with some staff less familiar with partnership and NGO issues than with microfinance. In the first instance, Katalysis should consider organizing a brief two- to three-hour session to explain the dynamics of community banking, particularly the concepts of sustainability and the analysis to be performed at each level. At the RFO level, Katalysis should identify appropriate areas for various staff to receive additional training or orientation on NGO management, financing strategies, and partnership methodology.

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<sup>8</sup> Katalysis has outlined its strategic vision for program reorientation in a briefing paper "Move to Vision."

## **2.2. Partner institutional capacity**

### **2.2.1 Design and implementation of strategic plans**

Katalysis assisted each of the three Partners to develop a five-year strategic plan. Lack of personnel made the effort began later than planned; it was only after hiring the Microcredit Program Manager for the RFO in November 1996, that a serious effort could be initiated. The Microcredit Program Manager first had to conduct an institutional evaluation of each Partner, then work with the Partners on strategic plans.

At the time Katalysis began this collaboration in 1997 ODEF already had a good plan (completed in December 1995) because of an intensive collaboration with Katalysis to prepare the first business plan, followed by training received (at Katalysis' behest) from COVELO. However, CDRO and MUDE did not have plans formulated with the rigor and specificity desired by Katalysis. Their principal difficulty was articulation of how they intended to achieve their goals. Katalysis' staff trained Partner staff and worked with them to produce strategic plans (MUDE in June 1997; CDRO in May 1998). Each plan is updated annually to reflect the progress of the preceding year and expectations for subsequent years.

The principal benefit from planning has been to focus the Partners' work schedules and resources on achieving the goals promised by contract with donors. But the benefits derived from the planning exercise have been much more comprehensive than mere generation of the strategic plan documents. Katalysis and its Partners developed better ways to work together, to decide who they are, where they are going, and how they will get there together. The strategic plans served as the bases for generation of proposals for IDB/MIF, MIP and MG3, plus virtually every other activity which the Katalysis and its Partners undertook. The plans covered the gamut from general goals and objectives to specific financial projections, which Katalysis helped turn into specific program priorities and funding needs.

Continued work is planned to refine and update the strategic plans, and to coordinate the work effort accordingly. New Partners will require more effort from Katalysis than the current Partners because the latter are in more of a "maintenance mode" than a "development mode" with respect to strategic plans. In conclusion, the Katalysis effort was slow getting started but the results are very good. The Partners expressed appreciation for the assistance received and for the improvement in management control.

### **2.2.2 Financial management and accounting**

At the outset of MG2 the Partners had varying degrees of shortcomings with financial management and accounting systems. Katalysis/Stockton provided some technical assistance at first, but the pace accelerated significantly once the RFO's Microcredit Program Manager was hired. His summary of Partner status and assistance provided is shown in Table 2, where "training" pertains to a formal venue and "technical assistance" pertains to "one-on-one" or "on-the-job" assistance.

Discussions with the Partners revealed great satisfaction with Katalysis' assistance; no other foreign donor or Partner helped these organizations with this topic. In some cases the change has been dramatic. For example, MUDE went from an inadequate manual system to a more complete computerized system. CDRO had a serious problem keeping accounts current, but now is able to generate daily status reports much to the satisfaction of donors. These achievements were made possible by installation of the FAS accounting system under the direction and assistance of the Katalysis Finance Director. CDRO completed its first program audit conducted by Peat Marwick, Inc., as required by the IDB/MIF grant for the fiscal year ending 30 September 1997. Katalysis, however, had to force the audit by suspending grant disbursements until CDRO complied. ODEF has been the most advanced Partner in Financial Management and Accounting, hence it has not required as much technical assistance as CDRO and MUDE.

An example of Katalysis collaboration with the Partners in the milieu of financial management and accounting is the current effort to select, test, and install the SOFT Corporation's accounting and integrated portfolio management software. The SOFT program will replace the FAS program, which both Katalysis and the Partners found to be deficient in integrating accounting with portfolio management. Full installation of all network components and peripherals was completed at the RFO in late 1997, the staff was trained, and all parallel accounting and portfolio records are current through June. Funding from CGAP provided for those activities and for the installations at ODEF, FAMA and PROCOMES. At ODEF, the MIS diagnostics have been performed, ODEF staff are in training, the network components have been ordered, and full system implementation is imminent. MIS specialists are currently being recruited for FAMA and PROCOMES, after which training and implementation will commence. Funding for installation at MUDE and FAFIDESS will be completed under MG3.

**TABLE 2**  
**TECHNICAL ASSISTANCE IN FINANCIAL MANAGEMENT**  
**AND ACCOUNTING**

<b>PARTNER FINANCIAL SYSTEMS STATUS AT BEGINNING OF MG2</b>	<b>ODEF</b>	<b>MUDE</b>	<b>CDRO</b>
Inadequate information and control		X	X
Accounts not current		X	X
Inadequate microfinance experience		X	X
Inadequate portfolio management policies		X	X
Inadequate computer equipment		X	X
Inadequate computer software	X	X	X
<b>TRAINING PROVIDED BY KATALYSIS</b>			
Fund accounting*		X	X
Systems and administrative control		X	X
Strategic planning*		X	X
Financial analysis		X	X
Financial indicators*		X	X
Management and control of the internal account		X	X
<b>TECHNICAL ASSISTANCE PROVIDED BY KATALYSIS</b>			
System evaluation	X	X	X
Specification of consultant requirements	X	X	X
Consultant pre-selection		X	X
Software identification and evaluation	X	X	
Institutional assessment	X	X	X
Strategic planning	X	X	X
<b>RESULTS OBTAINED</b>			
Accounts current	X	X	X
Institutional analysis completed	X	X	X
Strategic plan completed	X	X	X
Implementation of system monitoring	X	X	X
Implementation of reporting system	X	X	X

\* Training provided by Fundacion COVELO in collaboration with Katalysis.

### 2.2.3 Fund-raising techniques

During MG2 Katalysis provided substantial and significant fund-raising assistance to the Partners in the form of (a) training workshops, (b) prospecting for funds and donor cultivation, (c) coordination of donor and Partner visits to each other's place of business, and (d) ongoing Partner

consultations regarding specific proposal development. Summaries of these activities are summarized below.

### *Training Workshops*

Katalysis conducted fundraising and proposal/report writing workshops for the Partners which helped them identify and respond to donor interests, focus on viable programs, and manage the proposal writing process. Partners also learned the necessity for building working relationships with their donors and the importance of providing regular feedback. Workshops were also conducted to educate and guide the Partners in more specific activities such as fundraising for credit funds, and fundraising and marketing for microcredit institutions. The result has been to enhance the capacity of Partners not only to write proposals but also to implement better projects.

Additionally, Katalysis conducted a workshop for the RFO and the director of the Herencia Verde Center. The workshop was designated exclusively to designing a sustainability strategy for the Center. The result was the formulation of a five-year business plan with a framework for transitioning the programs implemented with Katalysis into long-range agricultural and training activities. Subsequently, Katalysis reviewed the business plan with ODEF and the RFO in providing analysis and further experiential training. In focusing on strategies for income generation, the development of the plan has been a referent experience not only for Herencia Verde staff but also for ODEF staff in their strategic planning.

### *Prospecting for Funds and Donor Cultivation*

A Katalysis representative met with various US and European donors in search of potential funding sources, with follow-up conducted by the Partners when warranted. As a result of these meetings, ODEF obtained a three-year grant from Misereor (Germany). MUDE is in the process of submitting a proposal to one of the funding sources, and ODEF and the Katalysis RFO have been visited by another European donor. In looking for partnership-wide funds, Katalysis has held ongoing discussions with other donors such as UNDP and the Ford Foundation to obtain funding for institutional development activities that are not typically covered by other donors. All these activities serve to heighten awareness of Katalysis as a Partnership network and of the individual Partners.

### *Coordination of Partner-Donor Visits*

The objective of organizing visits to Partners by donors, and vice-versa, is to familiarize each with the mission and activities of the other. For example, a Katalysis representative accompanied Partner representatives on visits to Washington, D.C., and New York City where numerous donors are headquartered. Katalysis facilitated the participation of Partners in two Microcredit Conferences, arranging opportunities for Partners to meet with Donors and others key players in the microcredit field. Donor visits to each of the Partners were also arranged by Katalysis during MG2. As Partners pointed out, the advantage of such joint visits is to observe first-hand the tools and

techniques used by a northern PVO in "donor prospecting" and to gain a greater appreciation of the concerns and issues affecting donors.

### *Ongoing Partner Consultations Regarding Specific Proposal Development*

Katalysis continues to work with the Partners in proposal preparation and in-country fundraising. The value of Partner/Katalysis collaboration on joint proposal development is manifested by the process which produced the IDB/MIF, MIP and MG3 grant proposals. The successful process for each depended upon sound strategic planning, careful coordination of information flow, development of dependable programmatic data by the Partners, and RFO staff involvement. All three proposals were of strategic importance for the institutional development of the Partners and for the advancement of the Partnership Network as a whole. Furthermore, the process itself was a direct outcome and application of skills training from and techniques learned in the resource development workshops and consultations.

Interviews with Partner representatives in the course of this evaluation revealed unanimous appreciation and satisfaction with the Katalysis effort in fundraising. As the Director of ODEF put it, "We could never have made these contacts and learned how to approach these donors without Katalysis." Moreover, Partners felt they had a better understanding of the need for building donor relationships, not just funding arrangements.

#### **2.2.3.1 Partner-specific observations**

Katalysis has successfully accomplished the fundraising and institution-building goals established for MG2. Personnel in all three Partner organizations have greatly improved their knowledge of donors (local and international), proposal preparation skills, and project reporting skills. Comments on Partner progress and future needs follow.

#### ***MUDE***

MUDE has learned a great deal from Katalysis, and successfully followed up by submitting proposals and obtaining funding from Rotary Clubs (both local and international). Additional funding is under consideration from these sources, as well as by Catholic Relief Services (CRS) and Plan International. Although slow in adapting the financial discipline and indicators to satisfy some donors, MUDE has recently made significant progress. MUDE (as well as the other Partners) still needs more local funding and access to funds for operations and community bank credit. MUDE also requires substantive support in overall institutional development that may require additional funding beyond what Katalysis can currently support.

#### ***ODEF***

ODEF has done a very good job in follow-up and "positioning" with funders as evidenced by success in securing MIP, MIF, and funds for Herencia Verde. More funding is still needed for credit



and special projects such as developing monitoring and evaluating programs and formulating strategies for "credit plus" activities -- especially those related to agricultural credit and enterprise marketing.

### ***CDRO***

CDRO has shown enthusiasm for fundraising assistance as evidenced by a 32-person turnout for one fundraising workshop. The interest in training reflects not only eagerness to learn, but also a continuous rotation of personnel within CDRO which necessitates repetition of the same topics. The agriculture program has been relatively more successful in securing funding via proposals than has the Women's Program due to staff continuity, program focus, and the administrative and program structure of CDRO. Future fundraising needs include greater emphasis on training personnel associated with the Women's Program to identify fundable projects and prepare proposals. Regarding the CDRO approach to community banking, more support is needed in the institutional development of systems appropriate to sustain a poverty alleviation model in peer lending.

#### **2.2.4 Reporting procedures and impact analysis**

As with all other project activities, Partner use of reporting systems and monitoring and evaluation tools must be seen from two points in time -- before and after the completion of the microcredit team that followed the shift to the PEBD focus. From the onset of MG2, Partners faithfully reported on the indicators required under MG2. However, as noted in the mid-term evaluation, the measurement of these achieved goals has been an imprecise endeavor. The principal difficulty in reporting has been the aggregation of measurements from different Partner organizations who have slightly different methodologies and interpretations of the measurements. Neither terms nor their forms of measurement were clearly defined at the onset of MG2, contributing to problems in counting and a lack of uniformity in reporting.<sup>9</sup> These problems were noted in the Mid-term Evaluation. Following the evaluation, Katalysis made an effort to improve the quantitative information obtained from the Partners, but the effort was only partially successful. Furthermore, Katalysis felt a need to maintain consistency once the reporting had begun, forcing continuation of existing methodology. As a consequence, there have been no substantive changes in these USAID-formats since the mid-term evaluation.

Following the completion of the microcredit team, substantive changes and dramatic improvements in microcredit reporting and monitoring have been made that have greatly affected Partner procedures. New reporting standards based on industry-approved performance indicators were introduced in the first quarter of this year and have now been used for two quarterly reports. In

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<sup>9</sup> This observation is based on a reading of the Mid-term evaluation. Katalysis has refuted this statement, insisting that "pains were taken to develop and communicate terms to partners." If this is the case, the difficulty is understanding why stronger efforts weren't made to achieve uniformity on at least a few indicators, especially after the recommendations from the Mid-term evaluation.

these reports, Partners prepare a full financial performance report with narrative (more than 120 items) that is in turn submitted to the RFO. The information is then used by Katalysis to assess the effectiveness of Partners' work with their clients. With these findings, Katalysis adjusts the technical assistance needed by the Partner for the next quarter and identifies changes for management by the Partner and the RFO. Reports are further reviewed by the Microcredit Specialist (Stockton) who prepares consolidated reports for donor reporting and, as necessary or requested, submits reports to the President of Katalysis.

The methods are very complete and more than adequate for monitoring progress and planning of follow-up technical assistance in microfinance although less appropriate in overall organizational management and governance. As training in the use of these systems has just begun, it is too early to evaluate its effectiveness at this point. However, based on partner comments, the training that has been provided has been practical, well-delivered, and appropriate. Partners have, however, faced difficulty in collecting the level of information required as their reporting systems were not established to track all the indicators now being required. The situation for ODEF is a bit different since ODEF now has a full-time Microcredit Consultant (funded by the IDB grant solicited by Katalysis) who has recently implemented a very sophisticated sectoral portfolio management system.

As part of the reporting process, Katalysis has designed and implemented an evaluation diagnostic guide "Guía de Diagnóstico" with the findings used for discussions with Partner directors over management implications and training needs. ODEF recently implemented an internal evaluation of their promoters' knowledge of community banking methodologies and reporting parameters. The evaluation tool captures critical information necessary for assessing promoter effectiveness.

### *Impact analysis*

At the start of the fiscal year, Katalysis began a process of data collection that will eventually enable the program to measure client impact in a qualitative and quantitative framework. This includes two levels of analysis, one at the Partner level and the second at the program (Katalysis level). The framework is based on a process of practitioner-led assessment tools being pilot-tested with ODEF under the auspices of the SEEP network. RFO and ODEF staff participated in this impact assessment and hope to eventually extend these impact tools to other members of the Katalysis partnership. Integration of impact analysis as a part of Katalysis' own information database is an important and long overdue step.

Based on comments from ODEF and RFO staff, the training provided by the SEEP representatives was invaluable, providing orientation to both quantitative and qualitative research techniques. The model provides for testing of both client and non-client and generates information on impacts at the individual, household, and enterprise level. Findings demonstrate the positive impact of community banking and client training with client enterprises being significantly larger and generating greater profit than non-clients. Clients reported increased savings and improved household incomes.

ODEF staff have used these learnings regarding enterprise development to refine training provided clients and to point to other support necessary to assist women in these endeavors. The main limitation noted by staff (and reflected in the SEEP study) was the limited time available for training and follow-up. For many ODEF staff, these skills were new, especially those in focus-group and in-depth interviewing and in the interpretive analysis of data.

The SEEP-sponsored study was a test application of economic methodology to microenterprise development with ODEF being one of only two organizations in the world selected. Selection of ODEF for the test application is highly visible in the NGO community, and therefore imparts recognition, legitimacy, and an aura of success to the Katalysis/ODEF approach. Once the study has been completed (a second round of data collection is required), Katalysis and ODEF will apply the methodology to a larger survey sample. In addition, Katalysis plans to share the methodology with other Partners for use in their programs, either as a full replication of the SEEP methodology or an adaptation of certain aspects. However, the exercise is costly in terms of demands on Partner staff. For such methodology to be institutionalized, more effort will be required to adapt the methodology to the realities and resources of Partner organizations. Nonetheless, it is important that Katalysis institute some form of impact assessment.

In reference to the agricultural program, the RFO Natural Resource Manager conducted evaluations of the three Partners' MG2 programs in AGTE in 1998.<sup>10</sup> These reports served as a primary information source for the AGTE program evaluation herein. The evaluation conducted by the RFO Natural Resource Manager was collaborative in nature because it was derived from continuous work with the AGTE staffs for each Partner during the five years of MG2. The conclusions reached in that evaluation have been confirmed by the current MG2 final evaluation.

### **2.2.5 Partnership exchanges**

The nature of partnership exchanges has evolved over the course of MG2. Initially, such exchanges were one-on-one visits between Partners. Later, these shifted to group trainings where Katalysis identified the topic and organized the training. Many of these exchanges over the last year focused on the development and strengthening of financial and microcredit management systems through specific training of financial staff or briefings of Executive Directors. By all accounts, these trainings have been well organized, some subcontracted to the Covelo Foundation, and have helped Partners to develop and refine their microcredit methodologies. Such formalized trainings are cost-effective on a group basis while the use of specialists such as Covelo to conduct the training enables Katalysis to meet broader training needs of its Partners without having to maintain a costly cadre of its own staff or to invest scarce resources in materials development. More recently, as Partners have matured in their program development, there has been a resurgence of Partner interest in one-on-one visits as a means to learn more specific aspects of fellow Partner programs.

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<sup>10</sup> "Final Evaluations of MG2 AGTE Programs," Leo Alvarez/Katalysis, 1998.

Partnership exchanges have had clear impact and are valued by all Partners. As described by one participant, the value of these exchanges lies in the exposure to new ideas and the opportunity to share experiences with other peer institutions with the bond of partnership providing the context for free and open discussion. Each Partner cited specific examples of learnings from formal exchanges that they had incorporated in strengthening their programs as well as the benefit of informal discussions at senior management levels. However, such exchanges have for the most part been limited to senior management or financial staff and have not included field staff. Beyond an exchange visit on natural resource management, there has been very limited use of partnership exchanges on strengthening field impact.

Partners are eager for such exchange opportunities to be extended on a broader basis as they see it as a way to enhance their staff capacity. Their observations on the utility of such training are shared by RFO staff. Given their own time constraints, RFO staff view partnership exchanges as a cost-effective and efficient tool for strengthening technical training, especially in community banking methodologies, and have begun to identify options for extending and financing such opportunities. When asked, Partners said they might pay a fee for such exchanges if a fair cost-sharing mechanism could be identified. However, there is also a challenge in balancing such requests without it becoming a burden to Partner hosts. Partners with stronger programs can ill afford to mount such exchanges on a regular basis unless some means is identified to compensate their staff and offset resource costs when visits extend beyond initial fact-finding. As noted by one such Partner, effective organization by Katalysis in structuring and designing such visits could avoid their being perceived as an onus. It should be a “win-win” situation as “*somos hermanos en la busqueda*” [We are brothers in the search].

#### 2.2.6 Summary of recommendations

The following recommendations pertain to institutional needs of all Partners:

- **Provide continued technical assistance in financial management and accounting.** To ensure the effective use of these systems, Katalysis should provide continued technical assistance in helping the Partners (a) provide timely and reliable information, and (b) refine their credit policies. As a corollary to this, Katalysis should ensure that Partner Directors and Program Managers have sufficient understanding of financial and community banking indicators to participate in strategic decision-making and oversight. For promoters, such technical assistance concerns training in the monitoring of financial indicators with regard to the sustainability of community banks as indicated by savings and loan growth, default rates, etc. ODEF has made a first step in developing a “promoter skills test” that would be worth replicating by other Partners.
- **Develop monitoring and reporting systems that facilitate strategic planning.** As part of the monitoring and reporting system, Katalysis should assist Partners in the development of internal management information systems. It is important to develop a series of one- page

reports for each staff level that highlight data required for decision-making. Decision-making, based on a monthly analysis of these reports, needs to be incorporated into the responsibilities of staff. Regarding impact analysis, Katalysis is encouraged to follow-up as soon as possible on the application of the SEEP/ODEF experience with other Partners. Katalysis need not wait until the methodology is finalized to sensitize Partner staff to impact issues and to implement a trial version of the original methodology. Based on the comments of ODEF and RFO staff, the preliminary testing is valuable in and of itself as a learning tool on community bank operations and member impact.

- **Monitor the use and implementation of five-year strategic plans.** The development of strategic plans as an output of the proposal preparation workshop was clearly a formative step for all Partners. Given the dynamic nature of all Partner programs, Katalysis is encouraged to repeat this workshop and/or to provide continued review and assistance through the RFO or the Katalysis Resource Development Director.
- **Develop a strategy for fee-for-service Partnership exchanges.** In addition to general information sharing, Partnership exchanges offer the opportunity for targeted and intensive cross-training. However, to avoid abuse and to ensure fair compensation, Katalysis and its Partners should identify means to systematize these exchanges for more formally structured training under the auspices and direction of the Community Banking Coordinator, so they are clearly more than just general information-sharing visits. Exchange visits should also be encouraged for non-management staff such as promoters and program coordinators.

### **3.0 FIELD IMPLEMENTATION**

#### **3.1 Agriculture training and extension (AGTE)**

Midway through MG2 Katalysis modified its technical focus such that agriculture and appropriate technology (AGTE) support will be excluded from future programs.<sup>11</sup> Recommendations for improvement in these are therefore moot from the point of view of Katalysis, but hopefully useful for the two Partners (CDRO and ODEF) who have elected to continue agricultural programs on their own.

The AGTE component of MG2 consists of programs implemented directly by the three Partners with support from Katalysis. Program components are listed below, with the caveat that Partner participation was neither unanimous nor equal in level of effort.

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<sup>11</sup> Katalysis Focus Quest. 1996.

- **Conservation Agriculture and Environmentally Sustainable Practices.** This component includes general training in sustainable agriculture such as soil conservation, soil fertility, and other production-oriented topics.
- **Appropriate Technologies.** Specific programs include *chefina* or *lorena* cooking stoves, solar box cookers, and food preservation.
- **Partner Initiatives.** This component includes specific programs requested by the Partners which do not fit into the previous categories – organic gardens (all Partners), reforestation (CDRO), and agricultural credit (CDRO).
- **Eco-Nomics Bridging Fund.** An alliance with Seeds of Change, a New Mexico organization, was intended to promote farming using traditional methods.

The MG2 Mid-term evaluation revealed excessive fragmentation of AGTE funds in CDRO, resulting in termination of funding support from MG2 and reallocation of unspent funds to community banking (PEBD). MUDE elected to do the same. Whereas CDRO continued its AGTE program by substituting other funds, MUDE terminated AGTE programs altogether.

### **3.1.1 Katalysis technical assistance**

From the outset of MG2 Katalysis/California staff traveled from Stockton to assist the Partners with general support such as planning and fundraising. After establishing the RFO and hiring the Natural Resource Program Manager (November 1994) Katalysis dramatically increased the level of technical assistance provided in AGTE. The technical assistance is categorized (Table 3) as training, technical assistance, project monitoring and follow-up, organization of partnership exchanges, and project evaluation. The “Technical Training” category pertains to a formal venue, whereas the “Technical Assistance” category pertains to “one-on-one” or “on-the-job” assistance.

**TABLE 3**  
**KATALYSIS ASSISTANCE IN AGTE ACTIVITIES**

<b>TRAINING ACTIVITIES</b>	<b>ODEF</b>	<b>MUDE</b>	<b>CDRO</b>
Sustainable agriculture (Soil conservation, cover crops, organic fertilizers and pesticides, harvesting seeding, gardens)	X	X	X
Environment and conservation (Environmental education, small watersheds, waste management, natural resource management)	X	X	X
Appropriate technology (Basic education)	X	X	
Reforestation (Seed collection, plot development, plantation management, nursery management)	X		X
Development of teaching materials	X	X	X
Planning (Process, content and format of plans)	X	X	X
Agricultural extension	X	X	
<b>TECHNICAL ASSISTANCE</b>			
All MG2 Components	X	X	X
Selection of new hires for extension	X	X	
Evaluation of existing programs	X	X	X
Program budgeting	X	X	X
Development of program business plans	X		
<b>PROJECT MONITORING AND FOLLOW-UP</b>	X	X	X
<b>PARTNERSHIP EXCHANGES</b>	X	X	X
<b>PROJECT EVALUATION</b>	X	X	X

According to the Partners, the assistance received was excellent in all respects once the Program Manager was hired in November 1994. The Program Manager made periodic visits to each Partner, accompanied the extensionists to nearly all of their work sites, and met with the majority of their clients. Among his contributions, he was able to provide suggestions for improvement of program delivery, organization of work, and problem resolution. His work with the Partners has been in all respects exemplary of how technical assistance should be provided in a partnership framework. Prior to hiring the Program Manager, Katalysis could not provide much technical help with AGTE.

Katalysis supported the Partners by obtaining counterpart funds and other donor funds which were dedicated to AGTE (Table 4). However, there is no expectation that Katalysis will assist the Partners to obtain more agricultural program funding due to the change in Katalysis focus. It must be emphasized that MG2 funds have been an important and necessary input into development of the Partners' agricultural programs. Without these funds MUDE would not have had an agricultural program, and now has none. But CDRO and ODEF are dedicated to continue in agriculture, and are willing to allocate other donor funds to maintain the programs.

**TABLE 4**  
**COUNTERPART FUNDING FOR AGTE PARTNERS (US \$)**

<b>FUNDING SOURCE</b>	<b>ODEF</b>	<b>CDRO</b>	<b>MUDE</b>
MAZON: A Jewish Response to Hunger	12,500	7,000	5,000
Food Industry Campaign Against Hunger	80,000		
Food for All	14,000		10,000
Angelica Foundation	5,000		
VIDA*	659,340		
Aurora Fund	5,000		
Share Our Strength	15,000		
International Foundation		25,000	
The Moriah Fund		75,000	
Wallace Genetic		15,000	
Atkinson Foundation			5,560
Conservation Food and Health			10,000
<b>Total</b>	<b>776,840</b>	<b>122,000</b>	<b>25,560</b>

\*Not technically counted as counterpart funding, but nevertheless part of AGTE donor funding.

### **3.1.2 Quantitative indicators of Partner achievements**

All of the Partners exceeded MG2 goals for the years they participated (Table 5). Although the MG2 Mid-term evaluation described difficulties with definition of terms, categorization of activities, and interpretation of numbers, few of these issues were resolved and reporting methodology continued unchanged. As mentioned previously, Katalysis made an effort to improve data collection, but was simultaneously committed to maintaining continuity in the quantitative measures once MG2 reporting had begun. However, it would have been helpful and instructive for the second half of MG2 as well as future projects if Katalysis had documented specific measurement issues and suggested improvements.



**TABLE 5**  
**QUANTITATIVE INDICATORS OF AGTE GOALS AND OUTPUTS**

<b>ODEF PROJECT ACTIVITY</b>	<b>Goals / Outputs</b>					
	1994	1995	1996	1997	1998	Total
No. of sustainable agriculture workshops	7/70	17/42	18/30	19/71	21/28	82/241
No. of participants in sustainable ag workshops	56/1762	129/415	137/270	145/521	168/175	635/3143
No. of organic gardens established	39/122	40/52	41/52	42/46	43/18	205/290
No. of participants trained in organic gardens	205/995	210/266	215/188	220/442	225/111	1075/2002
No. of energy-efficient training activities	7/19	9/38	10/17	10/17	10/8	46/99
No. of participants in energy training activities	120/237	180/448	200/149	210/149	210/65	920/1048
No. of food processing training activities	18/53	18/77	20/44	20/52	20/4	96/230
No. of participants in food processing training	108/307	108/823	120/364	120/290	120/50	576/1834

<b>MUDE PROJECT ACTIVITY</b>	<b>Goals / Outputs</b>			
	1994	1995	1996	Total
No. of appropriate tech workshops	4/8	9/53	15/19	28/80
No. of appropriate tech trainees	30/29	135/386	240/187	405/602
No. of organic gardens established	10/3	10/38	20/37	40/78
No. of organic garden trainees	30/30	52/160	105/257	187/447

<b>CDRO PROJECT ACTIVITY</b>	<b>Goals / Outputs</b>			
	1994	1995	1996	Total
No. of sustainable ag workshops for ag leaders	1 / 5	2 / 7	2 / 9	5 / 21
No. of agriculture leaders trained	0 / 57	0 / 193	40 / 149	40 / 399
No. of training sessions by agricultural leaders	2 / 6	2 / 77	3 / 66	7 / 149
No. of participants trained in sustainable agriculture by agriculture leaders	60 / 200	60 / 550	90 / 532	210 / 1282
No. of reforestation projects	3 / 13	2 / 3	2 / 3	7 / 19
No. of reforestation beneficiaries	0 / 1429	1333 / 62	0 / 1589	1333/3080
Amount of agricultural credit granted US\$	\$4,300	\$4,300	\$4,300	\$12,900
Number of ag credit beneficiaries	5	10	12	27

Source: Alvarez, L. Final Evaluations of MG2 AGTE Programs for ODEF, CDRO, MUDE, 1998.

The quantitative information reported herein suffers from an absence of "participant tracking" such that inter-year comparisons and the project total are probably inaccurate. For example, a participant could be trained in organic gardening one year, but actually start a garden two years later.

Conversely, a participant might cease gardening after the first enthusiastic year. For ODEF, the data suggest that 290 gardens were started as a consequence of training 2,002 participants, which amounts to an effectiveness rate of about 10%. But these figures are merely a summation of the annual figures, which counts only whether a participant trained during one calendar year started a garden the same year. Whether 10% is good or bad is not the judgment being made herein; the problem is that without participant tracking it is not known what the effectiveness (impact) is at the end of the five-year project. If participants do nothing with what they have learned, the indicators regarding numbers of training sessions and attendees are only partial indicators of project impacts. In fact, both ODEF and CDRO track individual participants, but the MG2 DIP does not require such reporting and hence it has not been done. The monitoring techniques used in MG2 did not go far enough to specify valid indicators

### **3.1.3 General findings**

The section begins with a discussion of issues common to all: (a) Seeds of Change; (b) Solar box cookers; (c) Estimation of program impacts; (d) The agricultural development model, and (e) Cost effectiveness and is followed by a brief discussion of individual Partner achievements.

#### **3.1.3.1 All Partners**

**Seeds of Change.** A subcomponent of AGTE titled the *Fondo Economico Ecologico* (Eco-Nomics Bridging Fund) was set up under an alliance with Seeds of Change – an organization based in New Mexico. The objective of the program was to promote farming using traditional methods, which were perceived to be more sustainable than modern methods. Seeds of Change was to provide technical assistance in seed production, harvesting, processing and marketing. The intention was that Seeds of Change would guarantee purchase of all seeds that met quality standards. Although ODEF, CDRO and BEST began working with farmers using a combination of demonstration plots and farmers' plots, Seeds of Change did not provide the promised assistance. Simultaneously there was some resistance by farmer participants in adopting the new technology, plus lack of financial resources on the part of the Partners and the farmers to do the job correctly. As it turned out the program was too ambitious given the resources available. In the absence of a guaranteed market for seed, some producers opted to sell fresh produce in local markets. The principal reason for failure, however, was lack of support from Seeds of Change.

**Solar box cookers.** The solar box cooker component of Appropriate Technology was viewed at the outset as a "pilot program." In spite of positive experiences gleaned by Katalysis and the Partners from other organizations and other locations in the world, and in spite of initial Partner enthusiasm, it failed in the Partner programs in Guatemala and Belize. Participants would not accept it as an alternative cooking method. What appears to have been missing on the part of

Katalysis and its Partners was pre-testing the social acceptability of the methodology before embarking on the project.<sup>12</sup>

**Agricultural development model.** ODEF and CDRO have elected to continue their agricultural development programs in spite of Katalysis' exit. Both Partners have adopted a low-input, labor surplus, production-for-consumption development strategy due to the conditions they face—lack of capital, low incomes, low wages, and villages remote from markets. The strategy has also been “reductionist” in nature, meaning that development programs deal with parts of the agricultural system in lieu of the whole. The MG2 proposal never explicitly stated what the agricultural development model is or should be, but it is implied via program design. This strategy has been forced because of constraints on capital availability and hence credit for agriculture; there simply has not been enough money to purchase inputs such as backpack sprayers or irrigation equipment. The consequence of the strategy is marginal technological improvement of system parts which, by themselves, do little to improve the economic condition of participants. The Partners need to reassess the effectiveness of the model they are following with respect to economic impact and financial sustainability. A more viable alternative might be to focus on fewer participants, provide credit to purchase the inputs needed to substantially increase production for market sale, and thereby generate enough cash to repay loans. By the latter model it might be possible to break out of a condition of stagnant subsistence, albeit for fewer participants.

ODEF has just received approval of funding from the IDB which will be used for capital investment in agriculture, hence this will be an appropriate time to formulate and test a new development model. Client selection will be a critical part of the model because certain criteria will have to be met, such as sufficient land base, security of land tenure, water supply for irrigation, and access to markets.

**Estimation of program impacts.** None of the Partners have implemented data collection for the purpose of estimating the economic and social impacts of agricultural programs. Baseline data about the participants and their community should be collected at the beginning of the program and at regularly-scheduled intervals thereafter. Methodologies and approaches used in the SEEP impact study of ODEF's community banking program might yield learnings that could be adapted for estimation of similar impacts in agricultural programs. Data collection for impact estimation would simultaneously permit tracking participant progress over time. It is important to know the rate of client progress in order to know the program cost of getting him/her there.

**Economic efficiency.** Development donors have become increasingly cognizant of the need to achieve economic efficiency in the delivery of development services, including microenterprise development. Although measures of efficiency differ according to the type of service provided, the

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<sup>12</sup> It is important to note that the two team members sharply disagreed in the assessment of this program. Dr. Parks feels strongly that degree of experimentation is necessary in the application of new technologies. While agreeing with the importance of experimentation, Dr. McCommon feels such technology dissemination is typically preceded by social acceptance and marketing surveys.

general approach is to calculate the rate of return on investment when the appropriate figures are available. Many development projects do not generate quantifiable benefits, however, and therefore employ an alternative measure known as cost effectiveness. Cost effectiveness is defined as the cost of achieving a specific objective, which can be expressed on a per capita basis or program basis. In health programs, for example, the average cost per person immunized would be a measure of efficiency, as would the average cost per person of controlling malaria in an area.

Since the benefits of the agricultural programs implemented by the Partners are not readily quantifiable (e.g., soil conservation, organic agriculture), the appropriate program efficiency measure is cost effectiveness. ODEF reports, for example, that the average cost of providing one participant with agricultural extension and training services for one year is approximately US\$62. This figure is obtained by dividing total agriculture program cost by the total number of participants. The difficulty herein is lack of standard reference points from year-to-year to enable judgment about whether or not it was worth the expenditure. If it is known that a farmer implemented soil conservation technology on three hectares of land with one year of extension assistance, the average of about US\$21 per hectare gives us something to judge. Similarly, if it took three years to induce that implementation, the cost per hectare triples. ODEF therefore needs to identify carefully the outputs per unit of expenditure so that donors can judge the efficiency.

### 3.1.3.2 Partner-specific findings

#### **ODEF**

ODEF has done a good job in AGTE. Participants and training topics have been appropriately selected, rapport between ODEF extensionists and participants is excellent, and the ODEF staff demonstrates dedication and competence. Visits to participant communities revealed high participant enthusiasm and application of techniques learned.

During the course of the five-year program, however, the principal source of funds for agriculture programs and Herencia Verde -- the new agricultural training center -- was temporarily suspended by the principal donor, the *Fundación Hondureña de Ambiente y Desarrollo VIDA* (VIDA). Funds from VIDA, Katalysis, ODEF and other sources were pooled to operate technical training programs at the Center once the physical infrastructure was in place. Unable to continue financial support of programs beyond May of 1996, ODEF dismissed technical personnel and the agriculture program was scaled back from 35 communities to 9. Unfortunately, extensionists lost their jobs and participants lost confidence in ODEF. Funding resumed later that year and the number of participating communities has since been increased to 17 with a combined total of about 400 participants.

In spite of the funding interruption and concomitant difficulties, Herencia Verde represents a significant accomplishment for Katalysis. It was the first co-executed project with a Partner, i.e., a partnership within a partnership. The planning process was complex, ranging from definition of the activities which would occur at the center to specification of the physical infrastructure requirements and a financial plan. Katalysis found donors to provide some physical infrastructure,

such as an irrigation system, and worked alongside ODEF staff every step of the way. This project is also notable in the sense that it is Partner-driven; it was conceived and promoted by the Partner and Katalysis joined the effort to support the Partner. Although Katalysis is withdrawing from Herencia Verde, every effort has been made to assist ODEF to achieve financial self-sufficiency for the program and a strategy for its continued use. As mentioned previously, Herencia Verde is the center of operations for the agriculture program, and its survival is key to the survival of that program.

Due in part to the interruption of funding, there was high staff turnover during MG2. This problem has finally been solved and a competent staff of 5 now appears to be stable. As mentioned in the MG2 Mid-term evaluation, however, ODEF still appears to need stronger leadership in agricultural programs. ODEF is aware of that need, and is considering how to reorganize to give the agriculture program more autonomy and strength.

### ***MUDE***

Although MUDE's program in AGTE was very small (one agronomist and two village-based extensionists), it was satisfactory while it lasted. After a slow start due to lack of interest by the intended participants (community bank members), new participants were recruited who were enthusiastic about the assistance. MUDE also suffered (especially at the beginning) from lack of qualified personnel, and never achieved the strength and resources necessary for a sustained program in agriculture and appropriate technology. In spite of these limitations MUDE surpassed all MG2 goals for the three active years. MUDE decided not to continue with agriculture at the end of the funding and instead to focus only on community banking.

### ***CDRO***

During the three years that CDRO participated in AGTE using MG2 funds all goals were exceeded. CDRO has a highly dedicated staff who works effectively with the poorest of the poor in very difficult conditions, and there is no doubt that the value to participants is significant. CDRO has hired a cadre of educated agriculturalists since the 1996 mid-project evaluation, thus mitigating the criticism of inadequately trained staff. However, as pointed out by the RFO Natural Resource Program Manager in his final program evaluation, follow-up with village-based extension workers and delivery of technical assistance has sometimes been lacking due to insufficient personnel and extremely difficult travel conditions.

Clearly, CDRO was successful in fulfilling the MG2 goals both quantitatively and qualitatively. CDRO is committed to continued agricultural technical assistance with or without Katalysis support.

#### **3.1.4 Summary of recommendations**

The following recommendations pertain to ODEF and CDRO, which intend to continue agriculture programs without Katalysis participation.

- **Reconsider the agricultural development model.** In particular, consider concentrating resources on participants and communities who can break out of the stagnant subsistence condition and generate income from market sales. Also consider whole-farm systems in lieu of the reductionist approach which has dominated prior work.
- **Develop agricultural credit delivery methodologies.** Bold innovations are needed to handle the special risks and production cycle issues that accompany agriculture. More development of solidarity groups and asset sharing among groups is needed, accompanied by investment in infrastructure and equipment.
- **Improve measures of participant progress and program efficiency.** Both the development organization and its donors need estimates of cost effectiveness, and economic and social impacts.

### **3.2 Microenterprise development (PEBD)**

Under the revised logistical framework and DIP, Partner program strengthening has been directed primarily through the Business Development and Promotion (PEBD) program area. There are two main objectives: (1) to strengthen Partner capacity in women's community banking and microenterprise development methods; and (2) to provide credit for Partners' microenterprise and community banking programs. Some overlap exists with PDAS activities in the sense that both focus on institutional strengthening.

#### **3.2.1 Katalysis technical assistance**

The extent to which Partner capacity in community banking has been strengthened must be seen within the context of Katalysis's own evolving commitment to microcredit and community banking and its ability to provide technical support. Following the midterm evaluation, Katalysis succeeded in resolving the funding constraints that had prevented the recruitment of additional staff within the RFO and, by the beginning of FY 97, had recruited a Microcredit Program Manager. Along with the then Regional Field Director, the new microcredit specialist pushed forward a series of training and technical efforts, focusing on financial administration and management. However, other support in the development of community banking methodologies lagged behind until the fairly recent recruitment of a Community Banking Coordinator for the Regional Field Office and of a Microcredit Specialist for the headquarters office. Recruitment of a new Regional Field Director with strong credit experience further reinforced the capacity of the Katalysis microcredit program team. With this completion of the microcredit team in late 1997, Katalysis has adopted a more aggressive stance in the application of microlending methodologies by its Partners.

This enhanced and more rigorous approach has been an important catalyst for Partners in refining and consolidating their community banking efforts. The effect of this recent assistance was especially evident in the discussions with MUDE and CDRO whose community banking programs have not matured to the same extent as ODEF and, in the case of CDRO had been languishing. As noted earlier, ODEF previously enjoyed a bit more technical support due to the shared location with

the RFO. In reference to developing microlending programs, all Partners made a sharp distinction in the quality and level of support provided during the first half of the Matching Grant and that received more recently. This recent assistance is seen as more effective as it has been practical, applied, and targeted to their individual programs. Based on evaluation observations, the new microcredit team has established a good framework for technical assistance and is well-respected for their technical expertise.

Partners attribute this effectiveness to institutional assessments that have been implemented by the Community Bank Coordinator and the Microcredit Program Manager and the use of these findings in developing organizational-specific workplans --not generic packages of support. Partners made reference to two diagnostic tools used by Katalysis (see Section 2.2.4). The first is an institutional diagnostic guide designed and validated by the RFO and used with the Partners in identifying necessary improvements in areas of administration, credit methodology, and human resources. The second tool is the "Micro-CAMEL-S Indicators" methodology developed by Accion International and used by Katalysis in establishing an institution's financial performance. In the case of ODEF, a third diagnostic -- the SEEP impact assessment tool -- has been pilot-tested. ODEF staff highlighted a number of findings from this study in pointing to specific program changes they would be implementing to enhance the effectiveness of their program.

In the delivery of technical assistance, Katalysis uses a participatory approach, providing but not dictating recommendations. This format is intended to respect the nature of the partnership relationship where Partner NGOs are independent institutions, not Katalysis affiliates. The approach is appropriate and maximizes the chance that Partner community banking programs will be sustained. By negotiating technical assistance, Katalysis allows each organization its structure and strategic direction in adapting these methodologies for their respective use. The challenge now facing Katalysis is the refinement of this approach to accommodate the use of performance standards in framing technical assistance needs. Clearly, these standards are important and significantly enhance the quality of Katalysis technical assistance. However, it is not yet clear what balance Katalysis should strike between being "consultative" and being "directive." Staff at all levels are struggling with this, some more so than others. All Partners expressed concern about the prescriptive tone in senior-level interactions.

### **3.2.2 Quantitative indicators of partner achievements**

The outcome of the technical support provided by Katalysis is reflected in the establishment of community banks by each of its Partners. However in assessing these achievements it is important to realize the extent to which the Katalysis program has changed over the life of MG2 -- and, in turn, affected the strategies used by Partners in establishing community banks. It is virtually impossible to measure the effectiveness of this work on the basis of current industry (and Katalysis) standards as these were not in place at the onset of MG2 and did not accompany the provision of technical support. Until the completion of the microcredit team in late 1997, Katalysis support was intermittent and fragmented and did not create the depth and scope of community banking programs that are now being envisioned. Benchmark standards, now used to monitor Partner performance and to identify their assistance needs, were just recently introduced and have been used for only two

quarterly reports (cf. Section 2.2.4). For this reason, it was not possible to examine the effectiveness of Partner performance on the basis of indicators included in the Final Evaluation SOW (pg.7). Instead, achievement of goals has been examined in relation to outputs specified in the revised DIP, a far more limited but nonetheless instructive set of indicators.

Despite the delays that have been encountered, Katalysis has been successful in creating a context for community banking and has met the aggregated measures specified in the DIP (see Table 5). ODEF met its revised DIP goals for establishing community banks within the first three years of the grant while MUDE completed these goals by FY97. CDRO has lagged behind the other Partners, completing less than 2/3 of its DIP targets.

**TABLE 5 •  
MG2 PEBD GOALS/OUTPUTS**

INDICATOR	ODEF	MUDE	CDRO	TOTAL	DIP
Community banks established	20/93	16/39	28/18	150	64
New community bank members	4887	1675	394	6956	1386
Credit disbursed	\$1,102,663	\$65,891	\$43,551	\$1,212,105	\$364,154
Community banks members trained	3156	1503	749	5408	1476
Individuals trained in business management	4412	1181	441	6034	2563

<sup>a</sup> DIP figures are based on the revised 5-year DIP and do not include BEST. Data is current through the second quarter of FY98. Information regarding PEBD outputs with BEST included are found in Appendix 5.

As seen in Table 5, the amount of credit disbursed -- \$1,212,105 -- far exceeded the grant goal of \$364,154. This output can be seen in tandem with the number of community banks established with over twice as many new community banks as had been specified in the DIP. The strong achievement in these two goals is a good indicator of success for Katalysis and its two Partners, ODEF and MUDE. While CDRO's outputs were disappointing, the commitment made by CDRO to community banking is nonetheless encouraging. The MG2 DIP did not require financial indicators related to community bank performance. Thus it is impossible to quantitatively assess the viability of the community banks or the effectiveness of the technical assistance provided by Katalysis and its Partners. However, anecdotal comments from bank members and other stakeholders suggest that the banks are performing adequately in the sense that Katalysis and its Partners enjoy good reputations in their community banking efforts and are perceived as operating solid and well-disciplined programs. Based on comments from community banking members, not all other institutional community banking programs have the same level of rigor in their programs as do those of Katalysis Partners, leading at times to malfeasance within banks and members' loss of money.

Other outputs in the numbers of members participating or trained also show significant levels of



achievements relative to the goals specified in the DIP. However, the order of magnitude of this achievement should be viewed with caution. As noted previously, the measurement of outputs related to participant numbers may be misrepresentative due to imprecise counting methods and lack of clear definition of categories.

### **3.2.3 General findings**

The section begins with a discussion of common issues: (a) client impact; (b) community banking methodologies; (c) obstacles to micro-lending and (d) Partnership credit portfolio. It is followed by a Partner-specific review.

#### **3.2.3.1 All Partners**

**Client impact.** Discussions with bank members and observations of a few bank meetings attest to the transformative power of community banking that has been cited by Katalysis and in the SEEP impact study. In all three Partner programs, bank members report higher standards of living for themselves and their families, one of the overall goals of MG2. Members have used the loans to initiate new or to expand existing businesses, opening new opportunities for business development not only for themselves but also for family members who may work with them. Members consistently described increases in their business production and improved incomes as a result of more efficient business operations. While many invested earnings in their businesses, all pointed to household-impacts as the most important result with more money to buy nutritious food, pay school expenses for their children, and purchase medicines. Many had made investments in their homes with new roofs, sanitary facilities, or stand-pipe connections. Almost all pointed to the added benefit of learning to save money and to build funds for the future.

In rural areas, community banks have been active in sponsoring community wide activities such as local clean-up campaigns, school repair and community center construction. New members often cited these civic activities as one of the attractions for joining these community banks, citing the local perception that these community banks – more so than others – brought benefit to the community as well as to individual bank members and their families. It appears that many community banks, especially those associated with ODEF, are becoming local “engines of development” through loans provided to non-members from the internal account. Often these loans are to local resident men who are occasionally but not always husbands of members and who have no other access to reasonable financing for their small enterprises.

At the level of individual-level impacts, members described greater self-esteem and confidence through program participation. Partner staff confirmed these changes, noting instances where members had since become active in local government, assuming either office or taking greater interest in local affairs. In areas where illiteracy is high, some banks have organized efforts for illiterate women to learn the basics of writing and reading numbers.

**Community bank methodologies.** The three Partners differ in their approach to community banking. These differences are reflected in their community banking policies (see Table 6). ODEF

**TABLE 6**  
**KATALYSIS PARTNER CREDIT POLICIES:**  
**ODEF, MUDE, CDRO**

METHODOLOGY	ODEF	MUDE	CDRO
<b>ORGANIZATION</b>			
Number of members/bank	15-30	15-25	10-30
Structure	Community bank with solidarity groups of 5-7 members	Community bank	Community bank
Gender	women and men	women	women
<b>EXTERNAL ACCOUNT</b>			
Use	Commerce, service, and production	Commerce and production	Crafts, production, agriculture, commerce
Loan Amount			
• Initial amount	\$75	\$83	\$83
• Initial maximum	\$150	\$166	\$166
• Maximum	\$1,503	\$333	\$293
Interest rate	36% flat annual	36% flat annual	18% annual on declining balance
Length of cycle	1 <sup>st</sup> to 3 <sup>rd</sup> 16 weeks 4 <sup>th</sup> 24 weeks 5 <sup>th</sup> 36 weeks 6 <sup>th</sup> to 9 <sup>th</sup> 12 months	24 weeks	24 weeks
Number of cycles	9 cycles	6 cycles	6 cycles
Method of payment	weekly	monthly	every six months (at the end of cycle)
<b>INTERNAL ACCOUNT</b>			
Use	Both members and non-members	Both members and non-members	Both members and non-members
Savings	20% of the total loan	25% of the total loan	since 1998, 12% of the total loan
Savings control	50% ODEF and 50% members	100% members	50% CDRO and 50% members
Interest rate	3-5% monthly	3-5% monthly	3-5% monthly
<b>GRADUATION</b>			
	None	None	Individuals moved to the microenterprise program

This table was prepared by Maria Marta Salgado for the purposes of this evaluation.

has moved forward the most in its almost complete development of training materials and methodologies while the other two Partners are considerably weaker in formalization of their materials to support their methodologies.

These variations are due in part to the initial integration of community banking programs under the auspices of each Partner. These differences have influenced -- and continue to influence -- the evolution of these community banking efforts under the auspices of Katalysis. ODEF, clearly the strongest Partner, has a long-standing community banking program that began in 1989 with funding provided by Katalysis for its first ten banks. In addition to the general program assistance provided all Partners, ODEF has also enjoyed additional technical assistance through the IDB grants and loans facilitated by Katalysis. The maturity of this Partner program is reflected in the extent to which ODEF has consolidated and refined its methodology including the addition of solidarity groups, frequency of payment, and length of cycles.

MUDE's community banking program on the other hand has developed primarily under the influence of Katalysis and has followed closely whatever recommendations have been made by Katalysis. Thus to a certain extent its relative weaknesses reflect the nascent level of assistance from Katalysis with intensive assistance only beginning recently.

CDRO has developed its methodologies in a slightly different context. Its community banking program started with the assistance of Catholic Relief Services under a different CDRO program division, Banco Pop. The activity was transferred at the beginning of MG2 to the Women's Program, the focus of Katalysis work in that area. The Women's Program at that time was very weak and required considerable Katalysis effort in general program restructuring and refocusing. Over time, the program has grown stronger -- a success for which CDRO credits Katalysis. With this consolidation, community banking has become a central focus for CDRO in its Women's Programs. However, as part of Women's Programs, community banking is seen primarily as a tool to advance the social development of women and only secondly as an income-generating activity. Thus far, CDRO has taken a far more liberal (and subsidized) approach to its banking program as reflected in the method of payment (every six months) and lower interest rates. CDRO has been more reluctant to implement the full range of policies recommended by Katalysis, with concern on both parts that these philosophical differences may threaten the long-term future of the partnership (this is discussed further below).

**Obstacles to micro-lending.** The primary obstacles faced by Katalysis in the area of micro-lending have been the lack of capital for Partner credit, donor requirements of scale in Partner programs, Partner capacity to manage financing, and financing of Katalysis technical assistance.

**Partnership credit portfolio.** Over the last six months, Katalysis has embarked on a new initiative to create a Katalysis Capital Fund to provide affordable credit to Partners and help advance their sustainability. The fund is intended to be capitalized with at least \$150,000 in donations and \$150,000 in matching funds by September 30, 1998. To-date, the Board has committed \$150,000 from their own funds and is actively fund-raising the rest with expectations that the full amount will be raised by the September goal. Because the development of this framework is still in progress and

considered confidential by Katalysis, it is not appropriate to cover the details of the plan in a public document such as this. The document outlining this concept is also a work in progress.<sup>13</sup> Nonetheless, some general observations can be provided. The following comments refer to a draft dated 1 May 1998. We have been told that the document has since been revised. As it is not possible to review new materials produced since the evaluation began, the comments below may be superseded by the changes that have been made since the reading of the May 1 document. The comments below refer to that version of this confidential document:

- The internal concept paper appears to be well-thought and covers relevant issues such as the operating arrangements, flow of funds, capitalization, and potential borrowers. Pending issues have been defined including the identification of next steps. Katalysis is strongly encouraged to follow-through on the proposed review by financial sector experts. The background of these experts is not clear. Hopefully, these individual(s) would be familiar with community banking methodologies and NGO microcredit operations as well as general financing and banking requirements. The Board Program Committee has substantive and relevant experience and should be able to provide informed review and prudent oversight of the design of this activity.
- Katalysis strategy for linking technical assistance to Partners with a source of (affordable) credit portfolio financing should address some of the main obstacles now encountered by Partners in scaling up their programs. The funds should enable eligible Partners to expand their credit lending portfolio and enhance their sustainability. However, the institutional rating system and projected progress appears weighted in the scaling -- toward discriminating between high performing microcredit institutions, more reflective of a financial lending institution than of a NGO-managed capital fund. Katalysis will need to be clear that its criteria for selecting building partners builds on Katalysis' unique experience. Katalysis should be cautious in the extent that it pushes the creation of second tier NGOs until it consolidates its current technical assistance program. The scaling gradient and other criteria raises the question of whether Katalysis wants to become a regional microenterprise lending program or a regional partnership of NGOs involved in microenterprise.
- The internal concept paper does not address the provision of credit to development NGOs. If Katalysis intends to provide microcredit technical assistance to these NGOs, as highlighted in the "Katalysis Vision 2001" briefing paper, some thought should be given on how to address the credit needs of these NGOs.
- The fact that Katalysis has initiated such strategic planning and convened internal resources to research the potential is important in itself. This review is a significant step for Katalysis. It represents the institutional development that has taken place and reflects an emerging clarity of vision that has not always been evident in the past.

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<sup>13</sup> "Katalysis Capital Fund," D.Macray/Katalysis, May 1998. Confidential draft copy.

### 3.2.3.2 Partner-specific findings

#### *ODEF*

ODEF has clearly matured as a community banking program and is now widely recognized not only within Honduras but also regionally for the strength of its program. It is the strongest of the Partner programs. Since the midterm evaluation, problems of staff turnover have been resolved and the management structure of the community banking program has been strengthened. While the Executive and Deputy Directors continue to provide general oversight, the Credit Program Manager has clearly defined authority and responsibility over the program with appropriate levels of field coordinator, promoter, and support staff. A separate department for materials development has been established and, with other donor assistance secured by Katalysis, has been strengthened. Credit policies have been defined and are in line with industry standards. ODEF has reached a very respectable financial self-sufficiency of 91% with the regional offices reporting self-sufficiency ratios of over 150%. As mentioned earlier, ODEF has benefitted from two other sources of financial support arranged by Katalysis: (1) a highly subsidized IDB loan that has substantially funded its credit portfolio and enabled ODEF to expand its community banking program and (2) the MIP grant.

Through program consolidation, ODEF has achieved efficient service delivery with growing levels of outreach and scale. Its credit methodology is proven and has shown increasingly consistent performance over the last two years. One of ODEF's primary concerns is to maintain the "plus" of its credit delivery. Toward this end, ODEF has coordinated the provision of technical training through the Honduran technical institute, INFOP, and is focusing on leadership skills that could be fostered through bank training.

As one adaptation of the community model, ODEF has partnered with the U.S. PVO, the Cooperative Housing Foundation, to provide add-on credit in modest home improvement loans to community bank members who have good repayment histories. The innovative program has added a unique component to the ODEF community banking model. According to ODEF staff, the possibility of inclusion in the home improvement loan program has been an added incentive for community banks to enforce discipline and for members to maintain good credit records. Moreover, for those women engaged in petty food vending, home improvements also improve their working environment -- and can thus contribute to more or better quality production. While it is too soon to assess whether women can safely bear such additional debt as home improvement loans, preliminary findings show high repayments with little or no delinquency. Such refinements of the model -- from collaboration with INFOP in technical assistance to partnership with CHF in housing loans -- enhance the impact of participation in the community banking program. These enhancements are worthwhile to consider in other Partner programs.

Despite the strength of its program, ODEF nonetheless believes a continuing need for Katalysis support in refining its methodologies to meet newly emerging challenges implicit in portfolio management and issues surrounding client and bank graduation.

## ***MUDE***

MUDE continues to move forward in its efforts to consolidate its community banking program but on a much more modest scale than ODEF. The Executive Director has made a strong commitment in embracing community banking and adhering to the new Katalysis policies. The program has stabilized after a period of staff turnovers with a cadre of promoters in place. During the evaluation visit, the first regional office was opened. Although modest in size, the office will enhance the capacity of MUDE to provide services to its banking clients in this locale. Following recommendations from the RFO, an ambitious reengineering program has been set in place with refinement of policies and reorganization of promoter workloads. However, the organization is severely challenged in its expansion and consolidation by overall resource constraints. The Executive Director is stretched thin by management and administrative responsibilities and, besides a Financial Controller, has no other senior or middle management support in providing leadership or management of the community banking program. MUDE faces a "Catch-22" in that it is too small to attract support from micro-lending institutions necessary to expand its operations to a viable level.

Nonetheless, the organization remains committed to community banking as the means for achieving its goals and vision. Significant improvements have been made over the last six months as a result of the first phase of "new" Katalysis technical assistance. Among these changes have been an increase in the interest rate, a restructuring of credit promoter workloads, and a reconfiguration of geographic territories. The speed with which MUDE has followed through in implementing these recommendations suggests a strong commitment by the NGO to improve and sustain its program. At the time of the evaluation, the self-sufficiency ratio was relatively low (34%). In the interim before the completion of the final draft, the operational self-sufficiency had increased to 84% as the result of changes implemented through the Katalysis' technical assistance. This increase supports Katalysis' belief that MUDE can achieve higher rates of efficiency by growing its credit portfolio over the next year. The sharp increase in efficiency is, though, very recent and any interpretation of its magnitude should be treated with caution until more time passes.

MUDE's efforts in developing an effective program has been compromised by a weak and inexperienced Board. Another weakness has been inconsistent application of client lending criteria with some loans apparently issued to women whose credit needs -- and resources -- should make them ineligible for community bank participation.

## ***CDRO***

CDRO presents another dimension for community banking. Unlike the other Katalysis Partners, community banking is not the principal focus for CDRO but is instead only one activity within one of eight different CDRO programs. CDRO's ethos is rooted in Mayan traditions and focused on integrated development. Because of the severe poverty and limited background of its beneficiaries, CDRO has focused more on the social equity aspects of community banking and emphasized social development over economic considerations. For this reason, CDRO has declined to use a market interest rate as perceived necessary by Katalysis for achieving financial and economic self-

sufficiency. Disagreement over many issues, but this issue in particular, has strained the relationship between Katalysis and CDRO over the implementation of the community banking program. CDRO recognizes that its community banking programs is in effect being subsidized by other institutional income but sees these costs as necessary in a long-term process of social development and poverty alleviation.

CDRO believes that community banking is an important tool in alleviating poverty and is committed to further developing and adapting the model to meet the needs of its beneficiaries. The NGO recently contracted an external adviser to the Women's Program whose primary responsibility is to work alongside the community banking program. CDRO hopes to refine an effective development model for community banking where development, not credit, is the initial focus. CDRO sees the development of a sustainable community banking program to be a long-term process that will require fostering both changes at the CDRO board level regarding the adoption of sustainability measures and clients' ability to pay higher interest rates. The challenge for Katalysis is that, in the process of refining a "CDRO model," CDRO has made some innovations in the basic methodology, not just policies, that threaten the integrity of the model.

While CDRO was excluded from participation in MG3, Katalysis will continue to provide technical assistance under the IDB MIF grant. CDRO is anxious for further assistance from Katalysis and was outspoken, almost aggressive, in pushing for a return technical assistance visit of the Community Banking Coordinator.

### **3.2.4 Summary of recommendations**

Given the fact that Katalysis has only recently begun to consolidate its program of Partner technical assistance, the following recommendations pertain to overall program strengthening rather than to detailed program or Partner features that may already be under Katalysis review.

- **Define the core elements of the Katalysis community banking methodology.** The Katalysis approach is distinguished by the flexibility of its application that accommodates programs as diverse as ODEF (peri-urban) and as FAMA (rural). However, there are core elements to this generic model that need to be defined and made explicit in working with Partners, particularly those more familiar with development and small enterprise promotion. Of immediate concern, CDRO has attempted some well-meaning but ill-advised changes to the model that are more appropriate for small enterprise development, not community banking. Katalysis needs to ensure clearer understanding of the community banking model and its distinct character from small enterprise.
- **Clarify the concept of "credit plus."**<sup>14</sup> This is not a new thought. Katalysis has struggled with this issue since the move toward a microcredit focus was first introduced. The difficulty is that there is no clear consensus on what "credit plus" means in relation to

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<sup>14</sup> "Credit Plus" is a term used to refer to community banking programs that offer "more" than just credit - such as business training, health education, literacy awareness

Partner support or guidance. From discussions with Partners and staff, it is clear that in reference to a "Katalysis model" the "credit plus" model has very different meanings to different people. It is important that these conceptual differences be clarified before the technical design of the methodology goes further. Given the importance placed by Partners on maintaining a "plus" in their credit programs, Katalysis must be in a position to draw on other industry experience and to provide general direction to Partners on necessary standards. One possibility might be the organization of a strategic review with participation of southern Partners and Katalysis staff.

- **Document lessons learned from the ODEF experience.** With technical assistance from and arranged by Katalysis, ODEF has consolidated its program through systems and materials development. ODEF has also participated in the SEEP pilot impact assessment study and collaborated with CHF in an innovative home improvement loan incentive program. Lessons learned from these experiences could help inform Katalysis and other Partners in the refinement of their programs. In an extended study, Katalysis might want to consider all its Partner experiences in presenting a range of applications such as rural (FAMA), peri-urban (ODEF and MUDE) and poverty alleviation (CDRO).
- **Continue to provide strategic board development.** The need for a functioning Board is self-evident. In its material development, Katalysis should further refine and develop appropriate materials for Partner boards. With the MG2 Partners, Katalysis is encouraged to continue to support MUDE in the restructuring of its Board and, if possible, move this restructuring forward. Not only is the MUDE Board not providing essential strategic direction but in some of its actions it is also impeding this move forward. If MUDE cannot accelerate the process, Katalysis and MUDE should identify individuals who could serve as strategic advisers over the short-term. CDRO is a very different challenge with its rotating Board membership and distinct philosophy, not to mention the differences with Katalysis over CDRO's noncompliance with grant requirements. Given the sensitivity of the relationship, a different approach may need to be considered. What is important is that the outreach and facilitation of the Board(s) not be neglected or minimized.

## **4.0 OTHER PROGRAM DEVELOPMENTS**

### **4.1 The Belize Partnership Termination**

Prior to the mid-project evaluation, Katalysis had expressed strong dissatisfaction with the performance of BEST-- the Belizean Partner organization. The Katalysis concerns fell into the categories of (1) performance by BEST and (2) continuation of work in Belize under any circumstances. Reasons for dissatisfaction with BEST included low productivity, inadequate financial controls, and inadequate response to a number of managerial and programmatic issues. Another important reason for the termination of work in Belize was a lack of potential donors: USAID and CARE -- the primary funders of local NGO programs -- were in the process of withdrawing, and other donors showed no interest in funding development projects in a country with



a relatively high standard of living. Furthermore, the Katalysis focus was moving toward community banking models which are not culturally appropriate in Belize.

Because of these factors, the mid-project evaluator concluded that continued work in Belize was not justifiable in terms of economic need, cost of program delivery, and the new Katalysis program focus. Apart from the program issue, it was also clear that BEST management and staff had demonstrated some poor decision-making and poor performance which could not be promptly rectified via reorganization. Subsequently, findings from the Mid-term evaluation were presented to the Partners and a consensus decision reached to dissolve the BEST partnership. Remaining unspent funds were reallocated to other Partners and the MG2 DIP and logframe accordingly revised.

The decision to terminate BEST's participation was clearly not an easy one, neither for Katalysis nor the other Partners. Based on Partner interviews it appears that the other Partners followed the lead of Katalysis in reaching this decision. However, it is also clear from these same discussions that Partners found the experience a proving ground for the Katalysis network in the extent to which the values and principles of partnership were discussed and affirmed.

#### **4.2 The Katalysis Regional Field Office (RFO)**

As MG2 got underway Katalysis management decided that the difficulty, cost and personal stress of communicating with and traveling to Central America from California was excessive. Katalysis was also concerned about the response time within which management could deal with Partner issues on-site. Consequently, Katalysis decided to set up a Regional Field Office in San Pedro Sula, Honduras, and register as a Honduran nonprofit organization. The process was more difficult and costly than expected. Additionally, several key employee selections proved unworkable. It is not possible to quantify how much these events affected management of MG2, but they were costly because of the time and effort required to resolve them.

In 1997 Katalysis hired its third RFO Manager and moved the office from San Pedro Sula to Tegucigalpa. The reasons given for the move were to improve communication with the international NGO and donor communities headquartered in the capital, to avoid the appearance of favoritism toward ODEF (also in San Pedro Sula), and to accommodate key employee preferences. All of the key RFO staff positions have finally been filled. Because of program growth and the need to deepen in-house technical expertise, a new Community Banking Coordinator position has been created and will be filled in FY99.

The expected benefits from setting up the RFO have only recently begun to be realized. For example, there is saving in air fare when Katalysis staff travels from Tegucigalpa in lieu of California to San Pedro Sula, Guatemala, and (with new Partners) El Salvador and Nicaragua. But once the traveler is in-country, the subsistence costs are no different. Wages are typically lower for Central Americans than North Americans; the current RFO Director estimates that the cost of a qualified technical person in Honduras is about half the cost in Stockton. Prior to achieving full RFO staffing, the Partners in Guatemala and Belize thought they received better support before

establishment of the RFO, but at present the Partners appear to be satisfied with RFO support. Last but not least, Katalysis succeeded in winning a grant from the IDB for the RFO as a southern NGO for which Katalysis Stockton as a northern PVO was ineligible. More direct grants are anticipated.

In the creation of the RFO, Katalysis transferred the Program Department to the field. This shift has profound implications for program as well as partnership development in the extent to which the Program Department (i.e., the RFO) has been nationalized. All staff are nationals with substantive experience in their respective skill areas. Their first-hand knowledge and understanding of the local context adds depth to Katalysis' position that would be more difficult if even one of the key staff were an expatriate on a fixed-term contract. Moreover, the RFO Director is a national whose own substantive background in the Central America microfinance community has brought credibility and visibility to the Katalysis Partnership.

The RFO concept finally appears to be working, albeit with some issues still to be defined in a formal and legal document. Foremost of these is a clarification of the roles and responsibilities between Katalysis Stockton and Katalysis Honduras, in particular those relating to fiduciary responsibility. The setup process has been costly and mistakes were made, but Katalysis has learned from its mistakes and now appears to be on course.

#### **4.3 ODEF's Herencia Verde Training and Learning Center**

Katalysis' participation in establishment of the Herencia Verde Center on the outskirts of San Pedro Sula was an unplanned activity within MG2. As described previously (Section 3.1.3.2), Herencia Verde represents an important achievement for Katalysis as the first co-executed project with a Partner. Katalysis was co-director along with ODEF, and in that role helped design the facility, plan its use, and obtain donations. Herencia Verde was planned as an integral part of ODEF's agriculture program. During the 5 years of MG2, Herencia Verde and its programs received US\$66,000 through MG2, plus US\$776,840 raised by Katalysis and ODEF from other sources.

Upon Katalysis' change in focus excluding agriculture, ODEF decided to continue with or without Katalysis participation. Katalysis and ODEF generated a plan for use and financial sustainability which is now in the first stage of implementation. In 1998 Herencia Verde has already achieved 51% self-sufficiency, and is expected to achieve 100% within a few years.<sup>15</sup>

Discussion with ODEF management reveals no sense of abandonment by Katalysis. There was never any expectation or commitment, formal or informal, that Katalysis would be a permanent partner in Herencia Verde. It is important to recognize the conviction and commitment of ODEF to support agriculture, and to recognize that Katalysis happened along at a critical time to provide much needed assistance. Herencia Verde and its programs would probably not have been developed as rapidly they were without Katalysis support, hence there is a genuine feeling of gratitude on the part of ODEF.

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<sup>15</sup> Herencia Verde Business Plan., ODEF, 1998.

#### 4.4 Program realignment

The realignment in program focus to microcredit and community banking has been the most dramatic development to have arisen during the course of implementation. As has been discussed extensively throughout this evaluation report, the consequences of this realignment have been profound with implications for every institutional aspect regarding Katalysis and the Partnership network.

With regard to the original goals of the grant, the benefits are clear; through the realignment Katalysis has clarified its mission and, with this new vision, also clarified the nature and extent of its support to its NGO Partners. This coherence is important. One of the difficulties encountered in the first phase of MG2 was the broad diversity of Partner programs being supported by Katalysis. At that time, Katalysis had neither the staff nor the resources – even with MG2 funding– to effectively manage technical assistance in the diverse range of Partner activities much less to provide institutional guidance and direction. Now, with a clearer focus in program strategy, Katalysis has been able to make better use of its resources and to upgrade staff expertise in one speciality, microcredit. Partners benefit as they receive more precise technical assistance and, with the introduction of industry best practices, state-of-the-art techniques that might not otherwise be readily available or affordable. Furthermore, with the clarity of its own vision, Katalysis is in a better position to provide leadership and strategic guidance of the Partnership. This significant move has unquestionably strengthened Katalysis and the Partners institutionally.

Client participants in Partner programs are the ultimate beneficiaries as it is they who suffer the most consequences when well-intended, but misguided programs are implemented. Looking back at the agriculture program, the missteps in the Seeds of Change and solar box cooker programs undoubtedly stemmed in part from naivete on the part of Katalysis, in the first instance regarding the capacity of the collaborating Partner and, in the second, the suitability of the technology. Given the rigor with which Katalysis is approaching its programming realignment, it is unlikely that Katalysis would now expect its Partners to take on new activities as it had in these two instances without a thorough review of the viability and long-term sustainability. This new professionalism is important as Partners take their lead from Katalysis and rely on it for well-considered actions and recommendations. In the field of microfinance, preparedness in program development is extremely critical as Partners and clients put themselves at financial risk in participating in these activities. It is essential given the vogue of community banking and the emergence of many poverty lending programs, not all of which are financially or institutionally viable. Sound technical assistance will enable Partners to mount effective community banking programs that will meet the expectations and trust of their client participants. With program consolidation, Katalysis has committed itself to identifying more capital for Partner credit – the Katalysis Capital Fund is one example – thus enabling Partners to meet current and expanding credit needs of its clients.

## 5.0 PARTNERSHIP CHALLENGES

Inevitably, there are challenges in a realignment as far-reaching as Katalysis shift to a single program focus and, in particular, the realignment of not only an institution but also a Partnership network. The following comments are offered as general observations regarding these challenges.

- **Katalysis role.** One of the most critical challenges is the need to strike a balance between consultation and direction in assisting the Partners to implement best practices. In its fervor to catch up and to move forward, Katalysis has taken a more aggressive, less compromising stance than it might have otherwise taken in accommodating Partner-specific variation. While the need to standardize the methodology is understandable and clearly necessary, Katalysis runs the risk of alienating its Partners if allowance for policies appropriate to institutional customization as well as local community and cultural necessity is not made or encouraged. Concerns around this issue were raised not only by CDRO, whose criticisms might be expected, but also by ODEF, whose respectable community banking program lends credence to its comments. Katalysis is clearly committed to joint development of partnership-wide programs but its current approach in achieving such collaboration appears equivocal in the extent to which Partners are effectively involved in the development, not just the implementation.
- **Partnership core.** With the program shift, Katalysis has emphasized that microcredit should be a pivotal focus for Partner NGOs and, along with this, has introduced an institutional ranking system intended to guide new Partner selection as well as to provide a scale for measuring Partner achievements. The current thrust in Partnership expansion emphasizes the selection of Partners with scale of operations, i.e., those with well-established programs and large numbers of client outreach. The ranking system reflects this bias, with finer distinctions at the "A" and "B" levels and a much bigger jump from the "D" to "C" levels. By focusing on Partners with larger, already established microcredit programs, Katalysis hopes to increase the scale of the Partnership network and, through this, to meet the requirements of donors, the majority of whom are primarily interested in high performance (large client base) programs.<sup>16</sup> Katalysis has justifiable reasons for its concerns having recently encountered obstacles in securing funding for MUDE because a potential donor regarded MUDE's program as too small. Moreover, D and E Partners obviously require extra effort that -- in the absence of additional financial support -- a small organization like Katalysis cannot afford to give.

Simultaneously, the sharp shift in selection, giving preference to strong already well-managed organizations over smaller or development-oriented NGOs, raises questions on the

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<sup>16</sup> USAID has recommended that more advanced Partners be added to the mix. The concern here in the evaluation is that the pendulum may swing too far away from Katalysis' areas of strategic competence. By emphasizing more the larger, well-established institutions, Katalysis could begin to compete more with the larger, already established "wholesale" microcredit institutions such as ACCION. At least in the near- to medium term, it is not clear if Katalysis could effectively compete at that level without compromising its technical capacity and competence.

without compromising the partnership values that until now have defined the Katalysis Network and contributed to its effectiveness. Katalysis hopes to continue the South/South mentorship with strong Partners mentoring less advanced Partners in the same country. It also envisions gradually taking more "C"s into the "A's and B's" in balancing the mix of Partner expertise and capacity. It is less clear how this will happen in reality with the current rhetoric leaving the impression that Katalysis is more concerned with financial indicators than partnership mechanisms. Even now, all MG2 Partners shared a concern that new Partners do not always have the same incentive for joining the Partnership as they did -- to work together in a collaborative and learning relationship. Instead, they fear new Partners, especially those with already well-established operations, may only be interested in accessing new capital funding that Katalysis might provide, such as the Katalysis Capital Fund, and less in the partnership aspect. If this is the case, they are concerned that new Partners will be less transparent and available in their transfer of experience and expertise Partner-to-Partner.

In a different but similar line of concern, some staff and Board members fear that the focus on new Partners with large-scale microcredit programs will move Katalysis toward working with already established "winners" and much less with perhaps more deserving institutions that require more patience and time in institutional development. Few donors are willing nowadays to pay for institutional development as has MG2. However, these staff and Board members also believe that Katalysis should find a means to continue its work with the smaller groups in a substantive way and to choose those which need help and growth, not just the NGOs who already have scale and little need for Katalysis beyond additional capital.

Both concerns of Partners and these staff are valid. To address these, Katalysis must be vigilant in ensuring the partnership vision is not compromised in its move toward scale or perhaps even to decide if the vision of partnership should be refined or rewritten. In some ways, these decisions concern the partnership characteristic. They hark back to the rationale for community banking (or financial services) as articulated by Chris Dunford in a memo to Katalysis: whether an organization should work toward job creation or poverty alleviation or a combination of both.<sup>17</sup> A network of truly diverse Partners or definition of mechanisms for fostering collaboration among diverse NGO practitioners would seem to be an advantage. It would though need resources that have yet to be identified. While Katalysis continues to seek funds from donors such as the Ford Foundation for institutional development, Katalysis might also look for a one-time grant to establish an unrestricted reserve fund for its own discretionary use. These interest or income earnings could fund smaller operations and provide technical assistance, even credit, to small and development NGOs as is part of the Katalysis vision.

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<sup>17</sup> Memo from Chris Dunford to Jerry Hildebrand, Oct. 14, 1997.

- **Network vision.** As part of its strategic plan, Katalysis aims to be the “premier microcredit network in Central America” by the year 2001.<sup>18</sup> The vision is laudable. The best market niche for Katalysis obviously lies in the context of partnership and the ability to act as a regional microcredit lab for fielding testing new concepts and technologies. MG2 Partners are enthused that Katalysis will be able to introduce them to state-of-the-art technologies. They especially see value in targeted technical assistance, with Katalysis able to research other practitioner experiences and to make available to each Partner those aspects relative to their individual experiences. They do not see Katalysis developing “its” community banking methodology as much as a “partnership” model, one providing Partners information and tools for refining their respective community banking programs, not a generic application for all.

The challenge for Katalysis is to maintain a balance of breadth and depth in its programming. This entails a careful consideration of long-term plans in relation to existing and foreseeable resources. What might be doable for a large “wholesale” practitioner such as ACCION may not be the most appropriate for Katalysis in the context of partnership. Katalysis has laid out for itself a number of far-reaching goals to attain by the year 2001 — that is not that far away. Circumspection is needed on steps forward to ensure that Katalysis doesn’t stretch itself too thin in a single program focus as it did in a mutiprogram focus.

## 6.0 CONCLUSIONS<sup>19</sup>

Over the course of MG2 and, since the midterm evaluation in particular, Katalysis has undergone a significant transformation in its programming focus and structure that has enhanced its capacity and capability to support Partner NGOs in poverty reduction. The fundamental change that has driven all aspects of institutional development has been a program reorientation from a multi- to a single-program focus on which to base Katalysis technical assistance to the Partners and the programmatic content of the Partnership network. The basis for this shift has been a series of planning processes that can be seen as both “input” and “output” in the clarification of Katalysis’ vision and a reorientation of programming focus to microcredit lending, particularly community banking.

In implementing this change, Katalysis has focused on the potential of microcredit to generate income not only for individuals and their families but also for Partner NGOs as a basis for program self-sufficiency. Significant effort has been given to strengthening institutional and Partner capabilities as goals of MG2. In so doing, Katalysis has not only met the goals of the MG2 grant

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<sup>18</sup> The following comments draw on the content of the Katalysis briefing paper “Katalysis Vision 2001: The Premier Microcredit Network in Central America.”

<sup>19</sup> The conclusions are framed around the core summative questions included in the Evaluation Statement of Work. These questions have been addressed throughout the report in our effort to provide a collective assessment of the progress made by Katalysis.

as defined in the revised DIP and logframe. It also exceeded them in the extent to which the organization has expanded and bolstered its capacity in microenterprise credit programs.

Through MG2-funded strategic planning processes, Katalysis has committed itself to sustaining the microcredit focus, a commitment that is reflected in the recruitment of microcredit staff at both the headquarters and RFO offices and recruitment of Board members with microcredit expertise. Moreover, in terms of overall institutional development, Katalysis has been strengthened and matured. The overall management structure has coalesced with core staff in place for nearly four years. Strategic planning has been institutionalized and decentralized management systems are in place. Staff have professional qualifications and expertise, further strengthening Katalysis as an institution, moving it beyond its initial "Mom and Pop" operation that had existed prior to MG2.

During this time, Katalysis has further realized its strategy of "Participatory Development." In setting up the regional field office -- one of the key revisions following the mid-term -- Katalysis has seen important results such as increased and improved South-South interaction, a highly visible Katalysis commitment to the region and the Partners, increased funding opportunities, and more recently, more effective technical assistance. The Partners Directors' Board was established with Partner Directors sitting on the Katalysis Board of Directors with full representation equal to the northern representatives.

Funding provided by MG2 has clearly been instrumental in the extent to which Katalysis has consolidated its program. The movement forward would not have been possible without the support for strategic planning, institutional development, and Partner outreach. However, the process has taken a long time with real achievements in providing technical assistance visible only in the last year of the grant. The fact that it has taken so long for this consolidation to coalesce appears to be due more to the magnitude of the exercise than to any institutional misstep. The major realignment that Katalysis has undertaken was not intended as an output in the beginning and emerged as of the unforeseen aspects of institutional strengthening. The progress that has since occurred must be seen in the context of "before" and "after" as much as "during." The Katalysis that exists today is a far different institution than it was at the outset of MG2. To their credit, senior management and the Board recognized the inherent weaknesses then existing and embarked on the original "Focus Quest" that sparked the need for program consolidation. Katalysis is a much more professional, a much stronger institution as a consequence of the planning and program development that has taken place under MG2.

The lessons of this experience point to the need for caution as Katalysis embarks on this new programming thrust. In its early programming, Katalysis gives the appearance of a development dreamer, passionate and committed to lofty development goals, but nonetheless an organization without a clear program vision and easily swayed by donor whims. Then, some well-intended but poorly conceived programs and collaboration took flight, with mixed results when they failed. The situation seems dramatically reversed now, with substantive thought, expertise, and structure in place to support new programming directions. Under MG2 support and with strong leadership at the top, Katalysis has dramatically moved forward. Nonetheless, Katalysis should reflect back in

looking forward to ensuring that its new thrust builds on Katalysis's values, not just those that will be funded.

These values at the foundation concern Partnership. Katalysis has built a unique network in which southern NGOs work together with a northern PVO in formulating strategies for addressing poverty in their countries. The partnership benefits that have accrued to the Partners in their own institutional development have been vital with each of the Partners recognizing the catalytic role Katalysis has played in their own strategic growth. The Partnership Network is Katalysis's area of strategic competence; microfinance should be the vehicle that drives it - but not be the driver. With the core management team and the experienced RFO team, Katalysis is well-positioned to capitalize on its unique niche in looking for solutions that build on its partnership strengths.



APPENDIX 1

SCOPE OF WORK

## APPENDIX 1

### Katalysis North/South Development Partnership USAID ~ MGII Final Evaluation SCOPE OF WORK

#### I. Background to the Grant

##### A. History of the Grant:

In 1993, Katalysis North/South Partnership received a five-year, \$1,749,792 matching grant (MG2) from USAID/BHR/PVC to strengthen the institutional capabilities and field impact of Katalysis and its four Partner organizations in Central America. Earlier, in 1990, USAID/BHR/PVC (formerly FHA/PVC) had awarded Katalysis a three-year \$600,000 matching grant (MG1), enabling Katalysis Partners in three countries to formulate and implement their first three-year sustainability strategies. Development pilot projects allowed Partners to experiment with new technologies and ultimately led to the introduction of solar box cookers in Belize and Honduras and the extension of women's community banking to all Partner countries. MG1 strengthened the entire partnership's technical and management capabilities and enlarged each member's absorptive capacities.

In 1992, two new Guatemalan NGOs joined the Partnership: CDRO (Cooperative Association for Western Rural Development) in Totonicapan and MUDE (Women in Development) in Villa Nueva came on as full Partners. With the inception of MG2, the Partners were four organizations which provided direct field services in natural resource management, sustainable agriculture, micro-enterprise development and women's community banking.

In July of 1996, the midterm evaluation for this matching grant was completed by consultant Loren Parks. In addition to the mutually agreed upon revisions to the DIP, Mr. Parks made six key recommendations in the conclusion of his evaluation. Each of the recommendations have been addressed:

- personnel needs at both Katalysis headquarters and the field office have been augmented with substantial expertise, and specific efforts have been made at each of the Partners to address personnel dilemmas and their impact on organizational effectiveness;
- the Belizean Partner, BEST, was terminated from the Partnership and the funds were reallocated to sustainability issues per approval of USAID;
- programming was consolidated under microcredit lending and management in keeping with the Katalysis business plan;
- technical assistance and training was provided in impact analysis to each Partner;
- financial sustainability plan was completed for Herencia Verde; and
- the Partnership was expanded by the addition of three new Partners, one each in El Salvador, Honduras and Guatemala.

##### B. Purpose of the Project

The stated purpose of the grant from the logframe is "to strengthen the institutional, programmatic and financial development of four indigenous Partner organizations so that they develop the capacity to expand and sustain essential self-help services to low-income participants, particularly women." MG2

supports both institutional strengthening for Katalysis and the Partners, as well as specific partner program strengthening. The *Program Development and Support* (PDAS) portion of funding supports Katalysis in its work to provide services to strengthen the institutions of the Partners and the Partnership network. Partner program strengthening is directed primarily through *Business Development and Promotion* (PEBD), the program area that provides technical assistance and training in microenterprise and community banking development. This represents a revision to the original logical framework (logframe) and detailed implementation plan (DIP) which included natural resource management and appropriate technology training under *Agricultural Training and Extension Program* (AGTE). Emphasis on this area remains only in so far as it is a complement to the work provided by the agricultural training and learning center jointly operated by ODEF and Katalysis, Herencia Verde. The Center and its programs are available to the Partners as they need them. But the focus of the Partnership programs and assistance is now microcredit development.

PDAS activities focus on three areas: training and technical assistance to meet the institutional needs of the Partners, activities to build and strengthen the Partnership, and documentation of specific aspects such as outcomes, tools, the partnership process and evaluation. PEBD focuses on community banking, microenterprise credit, and training programs, all of which aim to extend credit to the poor. These programs allow for both improved productivity and for the expansion of small businesses, which are often the economic main-stay of the very poor.

For the purposes of MG2, there are only three Partners participating: CDRO (Totonicapan, Guatemala), MUDE (Villa Nueva, Guatemala), and ODEF (San Pedro Sula, Honduras). However, Q1 of FY97 marked a new phase in the Partnership. MG2 supported initial exploration for new Partners. One new Honduran NGO, FAMA, and another NGO from El Salvador, PROCOMES, were incorporated as probationary Partners. Additional private funding supported the addition of FAFIDESS, an NGO in Guatemala devoted to microcredit development programs, as another probationary Partner in Q1 of FY98. Thus, the expansion of the Partnership, a dream at the beginning of MG2, is well underway as Katalysis completes year five of the grant. These new Partners and any future Partners will be included in new financing plans and provided with appropriate institutional and micro-finance assistance based on their organizational needs as funds become available.

### C. Purpose of the Evaluation

1. The purposes of the final evaluation are to:
  - a) Assess the extent of the overall success of this matching grant in the achievement of the objectives spelled out in the logframe, especially with regard to its purpose, objectives and effects on the beneficiaries.
  - b) Verify completion of core outputs.
  - c) Make organizational recommendations to Katalysis based on the assessment of impacts for Partners and beneficiaries.
  - d) Plan for the future.

## II. Statement of Work

### A. Core Summative Questions for the Evaluation:

1. During the grant period, has Katalysis been institutionally developed/strengthened in terms of personnel, resources, program planning and program activities?
2. During the grant period, to what degree has Katalysis been successful in implementing its strategy of "Participatory Development" via setting up the regional office and the Partners?

3. During the grant period, to what degree has Katalysis successfully clarified its Mission and strengthened its governance (Board and leadership), program support and management support structures?
4. Would Katalysis have been able to carry out its program without MG2 monies?

**B. Institutional Strengthening Activities (PDAS)**

**1. Inputs**

- a) Verify provision of inputs under "Institutional Capabilities," including the hiring of appropriate personnel, refinement of job descriptions and creation of appropriate integration of staff functions, use of volunteer and paid consultant expertise, effective coordination of TA/Training to the Partners, diversification of the funding base, and exploration for expanding the Partnership (Cf. Logframe: PDAS inputs).
- b) What has been the effectiveness of these inputs for Katalysis and the Partners?
- c) To what extent is this a sustainable approach to ongoing organizational growth and development for Katalysis and the Partners?
- d) What are the limitations or drawbacks to this approach?

**2. Outputs**

- a) Design and implement long range plans
  - (1) Review the long-range plans of Katalysis and each Partner
  - (2) How and to what extent have these plans been implemented or used effectively?
  - (3) What benefits do the Partner organizations experience from having a plan?
  - (4) What, if any, were the significant difficulties encountered in the process?
  - (5) What has been Katalysis' role in developing and doing follow-up work with the Partners in the area of long-range planning?
  - (6) How useful were these efforts in the view of the Partners?
  - (7) How could these efforts be improved in the future?
- b) Improve financial management and accounting
  - (1) What financial management system improvements have been implemented by Katalysis and the Partners?
  - (2) How was the need for these systems assessed?
  - (3) What specific trainings and assistance was given to implement these systems?
  - (4) What benefits have been realized to-date?
  - (5) What has Katalysis' role been in the process?
  - (6) What difficulties were encountered in the area of financial management systems?
  - (7) On the related front of management information systems, were any efforts expended or achievements made? [This was an original input that was revised in the midterm DIP.]
  - (8) What factors need to be considered for the future?
- c) Strengthening local fund-raising techniques and strategies

- (1) What specific activities have been carried out by Katalysis in training Partner staffs in fund-raising techniques?
  - (2) To what extent have the Partners incorporated these techniques in their own funding raising initiatives?
  - (3) What local fund-raising initiatives have been undertaken by the Partners?
  - (4) What specific areas still need to be addressed?
- d) Reporting procedures, monitoring, evaluation and impact analysis methods systematized
- (1) Reporting: What methods of systematized reporting have been used? How have the Partners been trained in these reporting methods? Were the methods complete and useful for monitoring progress and planning follow-up TA/T?
  - (2) Monitoring: What tools for monitoring trainings and projects were developed and used?
  - (3) Evaluations and Impact Analysis: What specific evaluations have been provided and by whom? What did these evaluations reveal related to the quality of the TA/T or the programs being examined? What mechanisms do the Partners presently use to measure the impact of their projects and programs? Have there been any specific Partner trainings in impact analysis? Has there been individual Partner follow-up to these trainings? To what extent were these Partner impact analysis mechanisms participatory and involving of the beneficiaries? What remains to be done in this area and what would be useful next steps?
- e) South/South and North/South network strengthened [reference: Partnership Exchanges, Katalysis Board of Directors, and the Partnership Board]
- (1) Partnership Exchanges: Review the topics of the exchanges conducted throughout MG2. Evaluate the outcomes of the exchanges from the Partner perspective. How might the exchanges be improved? What is the potential for expanding the effectiveness of the exchanges as a vehicle for training and collaborative development in the future? Would the Partners pay a fee for exchanges post-grant?
  - (2) Katalysis Board of Directors: Review the recommendations of the Katalysis business plan relating to strengthening governance and board expertise, as well as the board model created for strategic board recruitment. What impact has the new model and strategic recruitment had on Katalysis and its future directions?
  - (3) To what extent has the Partner Directors' Board had a role in improving organizational management in the view of the Partner Directors?
- f) Documentation
- (1) Examine the documents specified and created in the revised logframe.
  - (2) How have they been disseminated, used in Partner trainings, or in strengthening of Katalysis personnel?
  - (3) What impact have they had on the Partners and the development community?
  - (4) What remains to be done?
  - (5) Observations and recommendations
- g) In addition to the initiatives in the revised DIP, identify any other unanticipated initiatives that were undertaken in the final two years of MG2 to strengthen Katalysis, the Partners, and the Partnership network?

- (1) What are the distinct benefits of each of the above with regard to the goals of the grant?
- (2) How have the above strengthened Katalysis and the Partners institutionally?
- (3) How have these initiatives furthered the goals or MG2 outcomes and contributed to future directions for Katalysis?
- (4) Observations and recommendations

**C. Field Implementation Activities**

**1. Natural resource management (AGTE)**

**a) Inputs**

- (1) Technical staffing and management: verify personnel additions provided in the grant to achieve expanded AGTE capabilities [note MUDE's organizational decision in year four of the grant to phase out natural resource management as a part of its program portfolio]
- (2) Herencia Verde: examine the physical plant and program of the Center, as well as the management scheme and sustainability plan developed for the Center
- (3) Resources: verify resources existence and availability
- (4) Credit to farmers: verify amount of credit distributed and the number of farmer beneficiaries [CDRO]

**b) Outputs**

- (1) Training and technical assistance in
  - (a) Sustainable farming practices and natural resource management skills
  - (b) Environmental education
  - (c) Energy efficient technologies
  - (d) Credit to small farmers
  - (e) Expansion of the reforestation program (CDRO)

**For (a) - (e) above:**

- (i) Verify completion of the indicators in each of the above areas
- (ii) Utilizing the NRM's evaluations of each Partner's program, site visit and Partner staff interviews and personal observation, assess the effectiveness of technology transfer to staff and beneficiaries, and the impact on the communities that have engaged in the natural resource management trainings.
- (iii) Assess the effectiveness of Katalysis "closure" with regard to technical assistance and training services in natural resource management through Partner staff interviews and closing recommendations by the NRM.

## **2. Microenterprise development (PEBD)**

### **a) Inputs**

- (1) Technical staffing and management: verify personnel additions to strengthen women's community banking programs and microenterprise development methods partnership-wide.
- (2) Training: examine the microenterprise technical training (partnership exchanges, on-site trainings, etc.) and monitoring and evaluation services provided to the Partners over the life of the grant.
  - (a) Review the nature and extent of TA/T to the Partners in portfolio management, credit monitoring, women's community banking and program impact
  - (b) Examine the management tools provided to the Partners for incorporation into their operations
  - (c) In the view of the Partner organizations, what has been the most successful assistance Katalysis has provided in the area of credit management and training?
- (3) Credit: verify the amount of credit extended partnership-wide for community bank members and individuals. [N.B. the amount of MG2 credit itself is minor.]

### **b) Outputs**

- (1) Credit to individuals and community banks
- (2) Training and technical assistance in credit utilization, small business management and community banking organizing for low income people

For (1-2) above:

- (a) Verify that the actual credit disbursed met or exceeded the goals in the grant
- (b) Examine the key monitoring/reporting indicators provided to the Partners by Katalysis to assess the effectiveness of their work with the clients--see indicators below:
  - (i) Number of banks established?
  - (ii) Number of trainings per community bank?
  - (iii) Number of community bank members trained?
  - (iv) Number or percentage of women community banking members?
  - (v) Number of loans disbursed?
  - (vi) Amount of loans disbursed?
  - (vii) Average loan size by Partner?
  - (viii) Delinquency rate by Partner?
  - (ix) Annual loss rate by Partner?
  - (x) Number of trainings in small business management?

- (xi) Number of individuals trained in small business management?
  - (xii) Number of individual loans disbursed?
  - (xiii) Amount of individual loans disbursed?
  - (xiv) Number or percent of individual loans to women?
  - (c) Examine the Partners' training materials and methodologies for microenterprise development.
    - (i) Are materials clear and complete? What materials are still needed?
    - (ii) How clear are the requirements of each lending/training cycle?
    - (iii) How clear and effective are the criteria for initiating a "bank?"
  - (d) Do Katalysis and the Partners intend to continue expanding their credit lending portfolios? How does this factor into their sustainability strategies and long-range plans?
  - (e) What have been the obstacles encountered in the area of micro-lending?
  - (f) What changes or recommendations should Katalysis consider for future strengthening of microcredit development at the Partner level?
  - (g) Observations and recommendations
- D. Other Significant Developments** (items not in the Cooperative Agreement or the original proposal that have arisen during the course of implementation, e.g. financial TA, executive director TA, regional field office, Herencia Verde, etc.)
- a) Identify the specific unanticipated and relevant activities undertaken
    - (1) What are the distinct benefits of each of the above with regard to the original goals of the grant?
    - (2) How have the above strengthened Katalysis and the Partners institutionally or otherwise?
    - (3) Observations and recommendations
- E. The evaluators will synthesize their observations and recommendations, especially in relationship to the following key questions:**
- 1. To what extent have the outputs been met to the revised DIP and log frame?
  - 2. Were the goals of the grant met?
  - 3. To what extent have the goals of impact assessment and analysis been met?
  - 4. What recommendations do the evaluators have for Katalysis with regard to the quality of technical assistance and training?
  - 5. What recommendations or observations do the evaluators have for the Partners?
  - 6. What other obstacles or challenges, if any, have arisen? How effectively have these been addressed?



**F. Project Documentation**

1. The following documents will be made available to the evaluator:
  - a) Grant Proposal
  - b) Cooperative Agreement
  - c) Annual Reports for FY94, FY95, FY96 and FY97
  - d) Q1 - 2 of FY98 reports
  - e) Quarterly Partner reports for FYs 1-4
  - f) Staff Reports for FYs 1-4
  - g) Revised DIP
  - h) MG1 evaluation
  - i) Midterm Evaluation
  - j) Copies of documents produced under MG2
2. In addition, full trip reports are on file in both the headquarters office of Katalysis in Stockton, California, and in the regional field office in Tegucigalpa, Honduras.

**G. Project Logframe [attached]**

**III. Evaluation Team**

**A. The evaluation team will be composed of two outside and two staff members:**

1. Carolyn McCommon as lead consultant/evaluator.
2. Loren Parks as consultant/evaluator.
3. Marta Maria Salgado, Field Office Microcredit Specialist, and Leo Alvarez, Natural Resource Program Manager.
4. Additional resources and assistance will be provided by Gerald Hildebrand, President/CEO of Katalysis, Margaret Diener, Grant Administrator, and field office support as necessary and appropriate.

**B. The outside consultants involved in this evaluation needed the following qualifications:**

1. bilingual fluency in English and Spanish
2. experienced in monitoring and evaluation of projects, preferably AID sponsored projects
3. demonstrating expertise in organizational development and/or microenterprise development, with background in microcredit
4. experience in Central America

**IV. Calendar of Evaluation Activities**

**A. April, 1998:**

1. Confirm key personnel for evaluation team and for site contacts, including confirmation of Marta Maria Salgado and Leo Alvarez as team members (discuss with Daniel/RFO)
2. Itemize the where, when, and how of the evaluation activities, including calendar of activities and site visits (confirm with RFO)
3. Identify the key questions for the evaluation
4. Draw up list of pertinent documents
5. Refine the scope of work (confirm with RFO)

6. Verify process, dates and SOW with Mary Herbert
7. By 30 April, send confirmation of dates for evaluation to RFO and Partners
- B. By 30 April, contract with evaluators (consult Mary Herbert re: process)
- C. 1 - 15 May -- coordinate Partner arrangements through the RFO headquarters planning with evaluator: travel arrangements, as well as documentation, scope of work (SOW) and Tegucigalpa work-site.
- D. June--Evaluation month -- sequence
  1. Evaluation team meets with Mary Herbert
  2. Katalysis headquarters organizational impact analysis with 2 northern team members
  3. Country program management review and field visits to Partners and local projects (3 - 4 days per Partner, including travel)
  4. Draft report (one week/five working days for field draft)
  5. Draft given to field office and sent to headquarters for review (email document); meet with RFD in field office prior to departure
  6. Debriefing with Mary Herbert in Washington, D.C., by telephone
  7. Katalysis headquarters debriefing (June 30) [Jerry Hildebrand]
  8. Team incorporates comments and corrections
  9. Draft submitted to Mary Herbert by July 10 and debriefs with her on July 17 [Carolyn in person and Loren by phone]
  10. Follow-up activities as needed
- E. General travel plan -- June, 1998 ~
  1. Week 1: [3 days]
    - a) Evaluation team briefing by Project Officer Mary Herbert in Washington, D.C.
    - b) Kat/USA briefing & review -- McCommon and Parks in Stockton
  2. Week 2: [5 days]
    - a) McCommon and Parks travel from their respective points of origin to San Pedro Sula
    - b) Meeting with RFO staff (Salgado, Alvarez) to incorporate them into the evaluation team (.5 days);
    - c) review of ODEF projects [3 days];
  3. Weeks 3: [6.5 days]
    - a) travel to Guatemala City, Guatemala from San Pedro Sula (.5 - 1 day)
    - b) Review/visit to MUDE projects (2.5 days)
    - c) Review/visit to CDRO projects [travel + site, 3 days];
  4. Week 4: [6 days]
    - a) return to Tegucigalpa [.5 days]
    - b) Continued work on draft, short debriefing with RFO staff (5.5 days)
  5. Week 5 and selected dates later in July: [5 days]
    - a) Return to US -- Stockton
    - b) McCommon and Parks submit draft and have debriefing with President/CEO
    - c) July 10 -- draft sent to Mary Herbert
    - d) July 17 -- debriefing with Mary Herbert: McCommon in person, Parks by phone;
    - e) final draft (paper and disk) sent to Katalysis after debriefing with Mary Herbert (by July 24)

**TOTAL DAYS PROJECTED: 25 - 26 days (30 estimated in proposed budget to accommodate any unexpected events)**

## **V. Project Methods and Procedures**

### **A. Review Documents**

1. Project Proposal
2. Cooperative Agreement
3. Detailed Implementation Plan
4. Logical Framework
5. Quarterly Partner reports
6. Quarterly and annual grant reports
7. Staff reports
8. Travel reports
9. Special documents created under the auspices of MG2

### **B. Project Interviews and Contacts**

1. Katalysis interviews: President/CEO, Resource Development Director, Finance Director, Administrative Manager, Regional Field Director, RFO Microcredit Specialist, Microfinance Specialist, Natural Resources Program Manager, and Chairman of the Katalysis Board of Directors.
2. Partner interviews: Executive directors of each Partner organization, staff interviews with those who implement beneficiary training in the sectoral areas funded by the grant, selected client/beneficiary interviews at project sites when possible.
3. Compilation of data and analysis of findings and interviews per questions in the statement of work.

## **VI. Report Format**

### **A. The final report should follow the basic outline below:**

1. Title Page
2. List of Acronyms (if necessary)
3. Evaluation Summary Report
4. Executive Summary
5. Table of Contents (with appendices, figures and tables)
6. Main Report (organized by sections in the Statement of Work above) with observations, conclusions and recommendations
7. Appendices
  - a) Scope of Work
  - b) Evaluation itinerary
  - c) Individuals contacted and interviewed
  - d) References consulted
  - e) Other

### **B. The report will be concise (no more than 50 to 60 single-spaced, typewritten pages) and to the point.**

### **C. The draft evaluation will be discussed for verification of details at the field level by the evaluators before leaving the field in June; the discussion will continue as the evaluators review their observations and analysis with the President/CEO upon their return from the field; finally the evaluators will submit their corrected draft to the Project Officer for review by July 10. They will debrief with her on July 17. The Project Officer may have suggestions or further questions; the evaluators will have the opportunity to clarify and make edits as required, submitting the draft no later than July 24 should corrections be required.. Lastly, the evaluators will complete the USAID**

Evaluation Summary Report form, which is to be included in the front of the evaluation before the Executive Summary.

D. Debriefings:

1. with the Regional Field Director and Project Staff (Tegucigalpa) as noted above and with the President/CEO (Stockton)
  - a) Findings according to the DIP and logframe
  - b) Verification of facts, etc. with RFO staff and headquarters staff
  - c) Recommended changes
  - d) Observations that may be helpful for future Katalysis initiatives
2. with Mary Herbert, Project Officer—principal report findings

**APPENDIX 2**

**EVALUATION ITINERARY**

## APPENDIX 2 EVALUATION ITINERARY

### Washington, D.C.

June 1 Briefing with Mary Herbert, USAID and Devra Miller, Katalysis Board member

### Stockton, California

June 4 - Management review at Katalysis headquarters

June 5

### Honduras

June 9 Arrival at San Pedro Sula

Meeting with Katalysis Regional Field Office Evaluation team members

Review of agenda with Santa Euceda, ODEF Executive Director and Miguel Navarro, Deputy Director.

June 10 Tour of ODEF office

Meeting with ODEF Executive Director, Deputy Director, Department Heads, and Senior Credit staff. (Mejia, Zapata, Ramirez, Martinez, Flores)

Presentation on community banking methodology

June 11 Visit to communities working under the Herencia Verde program:

Cedrales, La Providencia, Los Naranjo

Visit to community banks:

Banco Communal "Fe y Desarrollo"

Banco Communal "El Aguacates"

Banco Communal "Nueva Vida"

Banco Communal "San Jose V"

Meeting with Santa de Euceda

June 12 Tour of Herencia Verde. Observation of training for community banks.

Meetings with ODEF staff:

Nulvia Ramirez, Herencia Project Coordinator

Gladys Mejia, Credit Department Program Manager

Boris Flores, Microcredit Consultant

Miguel Navarro, Deputy Director

Santa de Euceda, Director

June 13 Review of documents

Arrival in Guatemala City

### Guatemala

June 15 Tour of MUDE.

MUDE Program Presentation

Meeting with Catarina Mendoza, Executive Director.

Visit to community banks:  
Banco Comunal Prosperidad  
Banco Vida

June 16

Visits to Community Banks:  
Banco Communal Nuevo Amancer  
Banco Communal Superacion Femina  
Meetings with MUDE staff:  
Catarina Mendoza, Executive Director  
Rene Caceros, General Accountant  
Melvin Ronel Montejo, Credit Supervisor

June 17

Observation of the inauguration of the MUDE regional office, Chimaltenango.  
Travel to Quetzaltenango.

June 18

CDRO Program presentation  
Visit to CDRO agricultural projects  
Community Banking Program presentation  
Meeting with CDRO staff:  
Ana Victoria Garcia, Director of the Women's Program  
Paula Cristina Sapon Batz, Financial Coordinator  
Luz Marina Delgado, Women's Program Adviser  
Santos Norato, Organizational Programs Director  
Anulfo Vasquez, Projects Director  
Gregorio Tzoc Norato, Executive Director

June 19    Debriefing with CDRO staff.  
Travel to Guatemala City

June 20    Travel to El Salvador and to Honduras

June 21    Meeting with RFO staff.  
Report writing

June 22    Meeting with RFO staff.  
Report writing  
Meeting with Bernai Velarde, USAID and representatives of Covelo Foundation

June 23    Meeting with Camilia Elvira, Executive Director FAMA  
Report writing

June 24 Meeting with RFO staff.  
Report writing

June 25 Meeting with RFO staff.  
Report writing.

June 26 Travel to U.S. and consultant return to respective homes.



**APPENDIX 3**  
**CONTACTS**

### APPENDIX 3 CONTACTS

#### USAID Washington

Mary Herbert

#### USAID Guatemala

Barbara Ellington Banks

Edin Barrientos

#### USAID Honduras

Bernai Velarde

#### Katalysis Stockton

Jerry Hildebrand

President and Chief Executive Officer

Margaret Diener

Administrative Manager

Jutta von Gontard

Resource Development Director

Dennis MacRay

Microcredit Specialist

Mario Beltran

Finance Director

David Brown

Chair, Board of Directors

Devorah Miller

Director

Linda Orrick

Director

#### Katalysis Honduras

Daniel Martinez

Katalysis Regional Director

Marta Maria Salgado

Community Banking Coordinator

Leonardo Alvarez

Natural Resource Program Manager

Luis Felipe Borjas

Microcredit Program Manager

#### ODEF

Santa de Euceda

Director

Miguel Navarro

Assistant Director

Nulvia Ramirez

Herencia Verde Project Coordinator

Francisco Obando

Herencia Verde Project Technical Assistant

Boris Flores

Microcredit Consultant

Sulemita Martinez

General Accountant

Gladys Mejia

Credit Program Manager

#### ODEF beneficiaries in agriculture

Sebastian Martinez

Cedrales

Elio Erazo

Cedrales

Mauro Martinez

Cedrales

Lino Erazo

Cedrales

Pedro Leiva	Cedrales
Pio Miranda	Cedrales
Candido Rosa	Los Naranjos
Angel Sanchez	La Providencia
Benigno Lopez	La Providencia
Jose Santos Reyes	La Providencia
Nicolas Florentino	La Providencia
Faustino Sanchez	La Providencia

#### **ODEF Community Bank Beneficiaries**

25 members	Banco El Aguacate
20 members	Banco Nueva Vida
15 members	Banco San Jose 5

#### **MUDE**

Catarina Mendoza	Executive Director
Rene Caceres	Accountant
Melvin Ronel Montejó	Credit Supervisor
Ana Elizabeth Estrada	Credit Advisor
Ruth Noemi Ruiz	Credit Advisor
Ruth Garcia	Credit Advisor
Nidia Reyes	Credit Advisor
Olga Chiplix Salazar	Credit Advisor

#### **MUDE Community Bank Beneficiaries**

Elsa Cruz	Banco Nuevo Amanecer/Esquintla
Guadalupe Quinones	Banco Nuevo Amanecer/Esquintla
Rosa Lidia Carmeno	Banco Nuevo Amanecer/Esquintla
Arely Gomez	Banco Nuevo Amanecer/Esquintla
Telma Aguilar	BANCRESER/San Miguel Petapa
Sara Hernandez	Banco Prosperidad
Brenda Surque	Banco Prosperidad
Petronila Cuc	Banco Vida
Lidia Gomez	Banco Vida
Evely Flores	Banco Superacion Feminina (Reception ceremony)
Marta Victoria Alvarez	Banco Superacion Feminina
(+ 10 others)	Banco Superacion Feminina

MUDE Office inauguration in Chimaltenango (approximately 50 attendees)

#### **CDRO**

Gregorio Tzoc Norato	Executive Director
Laureano Garcia	Agriculture Program Technical Coordinator

Ana Victoria Garcia	Director of the Women's Program
Arnulfo Vasquez	Projects Director
Luz Marina Delgado	Women's Program Advisor
Adolfo Vargas	Interim Director of the Agriculture Program
Santos Norato	Organizational Programs Director

**ODEF Community Bank beneficiaries**

Members of Banco las Diez Virgenes, Banco Monte Verde, Banco Aguas, Banco Nueva Esperanza

**APPENDIX 4**  
**REFERENCES CONSULTED**

## **APPENDIX 4 REFERENCES CONSULTED**

### **Katalysis Foundation**

Third Annual Report: USAID Matching Grant (10/1/95 to 9/30/97)

Fourth Annual Report: USAID Matching Grant (10/1/96 to 9/30/97)

Sustaining Development: Forging a New Eco-Nomic Partnership. USAID Matching Grant Application. Nov. 2, 1992, revised April 27, 1993.

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Alvarez, Leo. Final Evaluation MG2 AGTE Program. CDRO, MUDE, ODEF. 1998

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Parks, Loren. Midterm Evaluation. USAID Matching Grant to the Katalysis Foundation. Sept. 16, 1996.

Various staff trip reports (1997-1998)

Various "Minutes of the Board Directors Meeting"

### **OEDF**

"Informe Trimestral. Convenio de Cooperacion Tecnica. Regional BID/Katalysis/OEDF." Boris Flores. Abril 1998.

Plan Operativo Annual. 1998.

## **MUDE**

"Diagnostico Institucional." Junio 1997.

"Plan Estrategico. 1997-2000." Junio 1997.

## **CDRO**

"Informe Anual de Actividades. Julio 1996 - June 1997."

"Informe Anual de Actividades. Julio 1995 - June 1996."

"Programa de la Mujer." Informe de la presentacion, Antigua, Guatemala, May 1998

## **Other Sources**

Dunford, Chris. "Assessment of the draft business plan prepared for Katalysis." Freedom from Hunger. July 25, 1997.

Lassen, Cheryl. "Analysis of the Katalysis Business Plan." Sustainable Development Services July 25, 1997.

Macray, Dennis. "Critique of Katalysis Business Plan." August 1997.

**APPENDIX 5**  
**MG2 PEBD GOALS/OUTPUTS WITH BEST**

INDICATOR	ODEF	MUDE	CDRO	BEST	TOTAL	DIP
Community banks established	20/93	16/39	28/18	8/5	155	72
New community banks members	4887	1675	394	90	7046	1767
Credit disbursed	\$1,102,663	\$65,891	\$43,551	\$30,355	\$1,242,460	\$387,704
Community banks members trained	3156	1503	749	107	5515	1476
Individuals trained in business management	4412	1181	441	257	6291	2563